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INTRODUCTION.

The Economic Conference which is to meet at Geneva next Wednesday has a vast field to cover. Indeed, the agenda is so wide that if the Conference is to be concluded in a reasonable period of time it must concentrate on a limited number of specific issues. These cannot, however, be very clearly determined until the Conference itself meets. The agenda, which has already been printed in the *Economist*, is as follows:—

AGENDA OF THE CONFERENCE.

First Part.

The World Economic Position.

Principal features and problems as seen from the point of view of different countries.

Analysis of economic causes of the present disturbed equilibrium in commerce and industry.

Economic tendencies capable of affecting the peace of the world.

Second Part.

I. Commerce.

1. Liberty of trading:
   (*a*) Import and export prohibitions and restrictions.
   (*b*) Limitation, regulation, or monopolisation of trade.
   (*c*) Economic and fiscal treatment of nationals and companies of one country admitted to settle in the territory of another.
2. Customs tariffs and commercial treaties.
   Obstacles to international trade arising from:
   (*a*) Form, level and instability of import and export tariffs.
   (*b*) Customs nomenclature and classification.
3. Indirect methods of protecting national commerce and shipping.
   (*a*) Subsidies, direct or indirect.
   (*b*) Dumping, and anti-dumping legislation.
   (*c*) Discrimination arising from the conditions of transport.
   (*d*) Fiscal measures discriminating against foreign imported goods.
4. Repercussion upon international commerce of reduced purchasing power.

II. Industry.

1. Situation of principal industries (productive capacity, output, consumption and employment).
2. Nature of present difficulties in industry; their industrial, commercial and monetary causes.
3. Possibilities of action:
   (*a*) Organisation of production, including, in particular, international industrial agreements, considered from the point of view of production, of the consumer and of labour; their legal position; their connection with Customs problems.
   (*b*) Importance of collection and prompt exchange of statistical information with regard to industrial production.

III. Agriculture.

1. The present position of agriculture compared with pre-war conditions, in respect of production, consumption, stocks, prices and free circulation of agricultural products.
2. Causes of present difficulties.
3. Possibilities of international action:
   (*a*) Development of, and international collaboration between, producers' and consumers' organisations, including the different systems of co-operative organisation.
   (*b*) Continuous exchange of all relevant information concerning agricultural conditions, scientific and technical research, agricultural credit, &c.
   (*c*) Development of the purchasing power of agricultural producers.

The division of the agenda into two parts is an attempt on the part of the Preparatory Committee to concentrate the attention of the Conference. At the same time, it was, however, recognised that it was not possible or, indeed, desirable to rule out any question which was of urgent importance to particular nations. Hence the first part permits of the widest discussion. In order, however, to avoid indefinite speech-making, the President, M. Theunis, has invited the delegates to submit short statements dealing with the first paragraph of Part I. The British delegates have replied to this invitation by a short statement setting out the simple thesis that from Great Britain's point of view what is required is to increase rather than to restrict the exchange of goods between nations in order that her export trade may recover and shipping resume its normal share of the world's overseas commerce.

The National Economy of Great Britain does not aim at self-sufficiency. Any such ideal has been abandoned for more than a century, and ever since the prosperity of Great Britain has been intimately bound up with the progress of the world's international commerce, which is estimated to have increased in volume four-fold in the 40 years prior to the outbreak of war.

It is, therefore, not surprising that, in spite of the comparative abundance of capital and the relative stability in our monetary system, this country has suffered severely from the check to international commerce that has been caused by the war and its aftermath.

At the present time Great Britain is more dependent than any other great commercial country on its export trade to enable it to supply the needs of its economic life. Just before the war no less than 30 per cent. of the total industrial production of Great Britain was exported, and though the proportion is now somewhat lower, it is probably not less than a quarter.

From the standpoint of Great Britain a recovery of British exports is essential. Such a recovery is dependent, however, upon the prosperity of the world generally. It is, therefore, to the interest of Great Britain to further the economic recovery of the world so far as lies in her power.

The memorandum, however, goes on to point out that this is not a one-sided argument put forward in the interests of Britain alone. Looked at from the point of view of other countries Britain is the world's greatest market, and it is to everyone's interest that we should be in a position to buy freely.

On the other hand, the recovery of British exports is also a necessary condition for world prosperity. In 1925 Great Britain

imported one-fifth of the total exports of all other countries—a far larger proportion than any other single country. When Britain is buying freely favourable repercussions are felt in every continent—our supplies being drawn in about equal proportions from Europe, from the British Empire, and from other extra-European countries. Our purchases are likely to increase with the absorption of our unemployed and with a renewed advance in the standard of living in Britain. But this is unlikely to happen for a long time to come unless we can achieve full employment in our staple industries, which in its turn means that our exports must expand. We can only continue to buy on the same scale if we have the opportunity of selling freely.

Moreover, the lending as well as the buying power of Great Britain is similarly dependent upon the recovery of her exports.

The rest of the memorandum, which summarises the internal situation and the chief recent features of British trade, returns in the end to this central thesis. Statements from all countries have not yet been circulated, but it requires no gift of second sight to foresee that Germany is bound to indicate the important part that Reparations must play in her economic prospects; that Italy will have something to say about the problem of finding outlets for her rapidly-growing population and changes that have occurred in recent years in this respect; that more than one country may have something to say about the monopolising of raw materials, and that certain of the countries of Central Europe will emphasise the economic evils which have followed from the excessive splitting up of European territory. The character of the agenda, however, suggests that two main themes will be the question of tariffs and other trade barriers, and the possibility, form, and effects of private international agreements between industries.

THE COMPOSITION OF THE CONFERENCE.

The list of delegates issued up to date shows that there will be representatives from at least the following 36 countries, the names being given in alphabetical order:—

Australia	Danzig	Hungary	Portugal
Austria	Egypt	India	Siam
Belgium	Esthonia	Italy	South Africa
Bulgaria	Ethiopia	Japan	Sweden
Canada	Finland	Luxemburg	Switzerland
Chile	France	New Zealand	Turkey
China	Germany	Norway	United States
Czechoslovakia	Great Britain	Persia	Uruguay
Denmark	Holland	Poland	Venezuela.

In addition, the following bodies will send delegates:—The International Chamber of Commerce (Paris), the Administrative Council of the International Labour Office, the International Institute of Agriculture (Rome), and the International Co-operative Alliance.

The British delegation consists of Sir Arthur Balfour, chairman of the Committee on Trade and Industry; Sir A. Norman Hill, the prominent shipowner; Mr W. T. Layton, Editor of the *Economist;* Sir Max Muspratt, ex-President of the Federation of British Industries; and Mr Arthur Pugh, ex-President of the General Council of the Trades Union Congress. The United States is sending a strong team, comprising Mr Norman Davis, formerly of the American Treasury and Financial Adviser to the Peace Delegation in 1919; Mr Klein, head of the Bureau of Foreign and Domestic Commerce under Mr Hoover; Dr Alonso Taylor, the well-known agricultural expert; Mr Robinson, the Californian banker, who was the American representative on the McKenna Committee in connection with the expert Reparations Inquiry of 1923; and Mr O'Leary, president of the American Chamber of Commerce. The French delegates include M. Loucheur, formerly Finance Minister, M. Jouhaux, M. Peyerimhoff, chairman of the French Mining Association, and M. Serruys, the officer of the French Ministry of Commerce in charge of commercial treaties. The German delegation will include Herr von Siemens, the President of the Economic Council of the Reich, and Dr Lammers, chairman of the German Trade and Industry Committee. Among the Italian delegates are Count Bonin Longare, Minister of State, and Dr. Pirelli, the well-known industrialist. Many of Europe's most renowned industrialists, including steelmasters like M. Mayrisch, of Luxemburg, and M. Trasenster, of Belgium; bankers, including M. Popovitch, of the Hungarian National Bank, and M. Dubois, of Basle; Labour representatives and co-operators; ensure the representative character of the Conference. Sweden sends in her team Professor Gustav Cassel, the well-known economist; Holland sends, in M. Colijn, a former Finance Minister; and Poland, in M. Hippolyte Gliwic, a former Minister of Commerce and Industry. Mr Walter Runciman and M. Clementel, both former Ministers of Trade, are among the representatives of the International Chamber of Commerce.

DOCUMENTS.

The Preparatory Committee has provided the Conference with a very extensive series of documents. These papers fall into three main groups, in addition to which there are special papers on a wide variety of subjects. The three groups are:—

(1) A series of papers relating to the tariff situation of the world;

(2) A number of documents on specific industries, with a summary memorandum on industry in general, prepared by the Secretariat;

(3) A series of individual memoranda published on the authority of the respective authors who have been invited to contribute by the Preparatory Committee.

In the remainder of this Supplement we give in a very summarised form the substance of the documents in the first two groups. A word may be said about the final group.

Professor Wiedenfeld analyses the forms and achievements of kartels and the problems met with in extending them to the international sphere—maintaining, in the main, what we may call the German thesis. Dr Grossmann, of Zurich, who gives some account of recent tariff history in Europe, explains the difficulties of arriving at Customs Unions or securing tariff reductions by treaties or by preference systems, and sees in international agreements the only hope of progress. Professor Macgregor, of Oxford, on the other hand, is sceptical of the possibilities of the international trust. M. Oualid examines the possibility of safeguards for consumers, while M. Rousiers discusses methods of possible legal control. Professor Cassel, of Sweden, takes, perhaps, the widest sweep in developing the thesis that the world is trying by its restrictive measures—whether in the form of trusts, trade unions, tariffs, or other interference—to check the free application of Adam Smith's principle of the division of labour, which is the root cause of abundance and prosperity. Professor Bowley has made an interesting estimate of the population the various nations will probably have to employ in 1931 and 1941. Mr Houston has written on the rationalisation of industry in the United States, and several other delegates have written on particular points on the Agenda.

PART I.—INDUSTRIAL MEMORANDA.

In the case of four leading industries, viz., coal, iron and steel, shipbuilding, and cotton, memoranda have been prepared by the secretariat after consultation with the organisations of these industries in various countries. In the case of the chemical trades, mechanical engineering, the electrical trades, natural and artificial silk, and potash, papers written by the organisations in various countries have been published without any attempt to produce a single memorandum. The former plan has the advantage of simplicity, but it requires a large expert staff and a great deal of time and consultation to secure agreement upon a comprehensive statement, and the resources of the secretariat must have been strained almost to the breaking point to produce the great volume of papers which have been circulated. The second method, however, has its compensations, for it brings out in sharp relief the different angles from which certain countries approach industrial problems.

The secretariat has supplemented the industrial volumes by a summary memorandum enumerating the chief tendencies at work since the war, comparing output in different directions, and indicating the effect of monetary instability and tariffs on industrial developments. The following are some of the points to which this memorandum calls attention:—

1.—RECENT TENDENCIES IN WORLD INDUSTRY.

The production figures for coal, iron and steel, cotton, and shipbuilding show that depression has affected each to a very different degree. In no industry save shipbuilding can it be said that a world-wide depression

exists. Even in Europe the production of pig-iron and steel, coal, and cotton yarns in 1925, though slightly below the level attained in 1913, would have shown a slight advance if the average for the five pre-war years 1909-13 had been taken for comparison. Outside Europe there has been a considerable increase in production. It would, however, be wrong to jump to the conclusion that the backward condition of these industries is solely due to the war; and it is necessary in every case to ascertain as far as possible to what extent recent changes are in the same direction as pre-war tendencies.

The following are among the principal factors underlying recent economic history:—

(1) The growing importance in world economics of America and the countries bordering on the Pacific, not merely as producers of raw materials, but also because of their rapid industrialisation. This was accelerated by the war, which stimulated home production during the years in which the usual sources of supply from the belligerent countries were in large measure cut off. Thus in 1925 Japan and the U.S.A. consumed nearly two million more bales of cotton than before the war and Europe nearly two million bales less. The South American demand for coal has been contracted by the development of hydro-electric power, and the needs of Japan, China, India, South Africa, and Australia, where the consumption of coal per head has grown rapidly during the last decade, are being met by the development of home production.

(2) The war caused an enormous expansion in the capacity for producing iron and steel and ships in the participating countries. The European production of steel in 1925 exceeded the average annual production in 1909-13 by five million tons, and the falling off as compared with 1913 is only a little more than the decline in Russia's output. The difficulties with which the steel industry is faced are primarily due to the excess of plant resulting from the war. This is even more true of shipbuilding; during the three years 1918-20 an average of 6,151,000 tons per annum was launched, as compared with 2,489,000 tons per annum in the five years before the war, and it is estimated that in 1925 world tonnage totalled 64½ million tons as against a probable effective demand in the near future for 55 million tons.

(3) Owing in part to the financial instability of recent years, saving in Europe has diminished, and there has been a resultant falling off in the demand for the products of the heavy industries. On the other hand, the demand for articles of immediate consumption and to some extent for luxuries has increased. This is borne out by the statistics of production of motor-cars, artificial silk and rubber, and among the four primary industries under review by the comparative prosperity of the light plate and sheet metal industries and that part of the cotton industry spinning finer counts.

(4) The redistribution of important Continental producing areas has had inevitable reactions on the main industries, notably coal and iron and steel. Under the Treaty of Versailles Germany lost approximately two-fifths of her pig-iron and steel producing capacity, and France became (in 1925) the greatest exporter in the world of products of the heavy metal industry. A new coal exporting area developed in Polish Upper Silesia, and there were certain ensuing maladjustments in the relative capacities of blast furnaces, steel works and rolling mills. The former cotton industry of the Austrian Empire was divided between Austria and Czechoslovakia.

(5) Partly as a result of this change in the frontiers of Europe, but not only in the countries affected by it, there has been a growth in "economic nationalism." The high price of coal stimulated the installation of hydro-electric plant in Sweden and Switzerland, but the major difficulties of the coal producers who depend to a large extent on export markets have also been, in a measure, due to the decision of the principal importing countries to foster their own production. The tendency is not confined to coal; the cotton industry in Hungary and the metal industry in Roumania may be cited as other examples.

(6) The effects of this self-sufficing programme, of which Spain is a prominent example, have been achieved with the aid of protective tariffs and, in certain cases, other forms of government assistance to industry, such as the Italian shipping subsidy. The incidence of tariffs in recent years is, however, difficult to separate from that of variations in price due to monetary causes. Inflation may cause, for a considerable but irregular period, a degree of protection to the home industry supplementary to that afforded by import or similar duties, notwithstanding its effect on the *ad valorem* rate of a specific duty. The result may be the artificial propagation of an industry on a scale which is inconsistent with economy over a longer and more normal period. An equally potent cause of disturbance to trade has been the rapidity with which tariffs have been altered, often with a view to "righting the balance of trade" rather than the promotion of production.

(7) Finally, the demand for the products of certain industries has fallen off owing to causes of a more permanent character. The use of oil fuel has affected the demand for bunker coal; the demand for ships has been reduced by the increased average speed now attained; that for pig-iron by the increased use of scrap in the steel furnace; that for cotton yarn to some extent by the increased use of artificial silk hosiery and fabrics.

Features of Special Industries.

In the following pages a few only of the features of each trade report have been reproduced—mainly those relating to production and foreign trade. In one or two cases some reference has also been made to demand. Each memorandum, however, supplements this information by careful estimates of consumption, by statistics of prices and wages, and by accounts of Customs duties and the character of the industrial organisation in producing countries. On these points reference must be made to the original sources.

2.—COAL.

General.

It is possible to overrate the effect on the coal industry of the political, economic, and financial disturbances arising out of the war. In point of fact, the world production of coal and lignite* in 1925 was 9.5 per cent. above the average level in 1909-13. The outstanding fact in coal production is that, of the total average world production in 1909-13, 78 per cent. was produced in three countries—the United States, Germany (post-war boundaries), and Great Britain. In 1925 the proportion produced in these three areas was 76.7 per cent. These great exporting countries are faced with a certain contraction in external markets. In Europe there has been a decided movement in favour of each country supplying its own fuel and power requirements as far as possible. Industrial depression has also reduced the demand in certain countries. Taken as a whole, European consumption has declined. In the countries outside Europe there has been a remarkable expansion in the coal industry, especially in China and Japan, so that Pacific markets, which were formerly largely supplied from Europe, are receiving increasing quantities from Asiatic sources. The British report, however, in referring to the national security policy fostered throughout the world, but especially in Europe, by the war, suggests that this tendency towards a self-sufficing policy in coal "has now almost reached its limit."

Of the factors likely permanently to affect the demand for coal the most important are:—

(1) Improved methods of combustion, and the increasing indirect use of coal for the generation of gas and electricity instead of direct use, effecting substantial savings in coal consumption per unit of heat.

(2) The competition of oil-fuel.

(3) The supply of hydro-electric power.

(1) Detailed information of the economies recently effected in the utilisation of coal are generally lacking.

(2) Oil-fuel is now increasingly used in industrial processes; an example is the conversion to oil-burning

* Except where otherwise stated, "coal and lignite" means coal and lignite converted in terms of hard coal on the basis of 9 tons of lignite = 2 tons of coal. All the conversions have been effected on this basis. It should, however, be noted that the ratio currently used in Czechoslovakia is 7 to 1, which corresponds roughly to the calorific value of Czechoslovak lignite as compared with that of coal.

of installations on the Chilian nitrate fields. Its increasing use in sea transport is shown on the figures given elsewhere of the launchings of oil and coal-burning ships respectively.

It is estimated that as much as seven to eight million tons of shipping has been adapted for oil burning, and can readily be converted backward or forward to coal or oil according to the price. The great liners converted to oil could not be reconverted without enormous expense.

There has, however, recently been a shift back to coal, except in the big liner companies, where oil has special advantages because of the time saved in taking in fuel, the saving in labour, and the smaller space occupied by oil.

(3) Under the third head the following figures concerning the existing and prospective development of water-power for the generation of electricity, given in Vol. I. of the Report of the World Power Conference of 1925, are of interest :—

Country—	H.P. (in Millions). In Operation.		Estimated Further Development.
Austria	·58	..	2·28
Finland	·19	..	2·54
France	1·34	..	10·72
Italy	1·53	..	8·00
Norway	1·82	..	16·00
Spain	1·26	..	6·00
Sweden	1·42	..	11·60
Switzerland	1·49	..	8·00
Total H.P.	9·63	..	65·14
Kilowatts, in millions	7·18	..	48·6
Annual load factor	50%	..	50%
Units generated, in millions	31,450	..	213,000
Assumed consumption of coal per unit generated	2 lb (0·9 kg)	..	2 lb (0·9 kg)
Equivalent total in tons of coal (2,240 lb)	28,000,000	..	190,000,000

It will be seen that the water-power actually utilised in these countries only represents the equivalent of the potentialities of about 2.3 per cent. of the world production of coal and lignite in 1925.

The increasing use of alternative primary sources of power in the United States illustrates the change in demand for different kinds of fuel.

Percentage Production of Power in the United States.*

	Coal.	Oil.	Gas.	Water-power.	Total.
1911–15	83 ..	9 ..	4 ..	4 ..	100
1921–25	70 ..	19 ..	5½ ..	5½ ..	100
1926	67 ..	21 ..	6 ..	6 ..	100

* See Vol. II.

Production.

The world production of coal and lignite (converted at the ratio of 2 : 9) before the war and in 1923-25 is shown in the following table :—

Coal and Lignite (in terms of coal).
Production in Metric Tons (000,000's omitted).

Country.	Average, 1909–13.	1913.	1923.	1924.	1925.
Africa	6·9	8·2	11·4	12·0	12·6*
America	478·0	532·0	611·5	530·6	542·3*
Canada	11·7	13·5	12·9	9·9	9·4
United States	464·6	517·0	596·5	518·6	530·8
Other countries	1·7	1·5	2·1	2·1	2·2
Asia	49·5	55·5	76·3	82·0	80·5*
China	12·9	13·8	18·6	20·5	20·5*
India	15·1	16·5	20·0	21·5	21·1
Japan *a*	19·7	23·3	34·4	36·1	31·5
Other countries	1·8	1·9	3·3	3·9	..
Europe	576·2	632·0	523·3	586·1	578·2
Coal (Germany†)	121·1	140·7	62·2	118·8	132·7
Lignite *b* (Germany†)	74·8	87·2	118·2	124·3	139·7
Total (Germany†)	137·7	160·1	88·5	146·4	163·8
Austria	0·6	0·7	0·8	0·8	0·8
Belgium	23·3	22·8	22·9	23·4	23·1
France†	42·0*	44·0	37·9	44·2	47·3
Poland†	36·0	41·0	36·1	32·3	29·1
United Kingdom	273·9	292·0	280·4*c*	271·4*c*	248·1*c*
Russia (U.S.S.R.) †*d*	23·8*	29·1	14·5	15·9	17·6
Saar	11·5*	12·1	9·2	14·0	13·0
Czechoslovakia	17·9	19·4	16·0	19·7	16·9
Other countries	9·5	10·8†	17·0	18·0	18·5
Oceania	12·2	14·0	13·9	15·3	15·3*
World	1,122·8	1,241·7	1,236·4	1,226·0	1,228·9

* Estimated. *a* Including Formosa, Korea, Kwantung and Karafuto, except for 1925. *b* Unconverted. *c* Great Britain. *d* Including Asiatic Russia. † Post-war territory.

The principal features of recent developments have been: (1) The drop in the production of European exporting countries; (2) the increase in the production of European importing countries and of countries outside Europe; and (3) the increased output in Europe of lignite.

In Germany the total production of coal and lignite in 1925 thus amounted in terms of coal to 163.8 million tons, or 3.7 million tons more than the 1913 output from the same area.

Imports and Exports.

The foreign trade by country of destination of the four principal exporting States—Great Britain, the United States, Germany, and Poland—is shown in the next table. Reparation deliveries are included in the German export statistics.

Exports of Coal, Coke, &c. (in Terms of Coal) by Countries of Destination.
(Metric Tons, 000's omitted.)

Countries of Destination.	From U.S.A.			From Great Britain.			From Germany.			From Poland.	
	1913–1914.	1924.	1925.	1913.	1924.	1925.	1913.	1924.	1925.	1924.	1925.
Nth. America	16,421	15,833	16,210	107	467	1,147	95	..	138	..	..
Cen. Am'rica	4 565	1,339	1,565	62	35	26	12	..	..	..	..
Sth. America	454	1,180	854	7,711	4,763	4,683	287	14	382	..	..
Europe—	527	1,450	1,079	62,107	55,801	43,647	44,617	26,557	32,69	11,092	7,146
Germany ..	7	33	13	9,122	7,257	4,277	..	..	..	7,000	2,813
Austria	..	6	..	..	..	..	..	334	645	2,952	2,759
Belgium	..	15	..	2,053	3,472	2,632	7,439	4,053	4,425	..	..
Denmark ..	..	..	..	3,499	4,776	3,657	398	..	..	..	..
France	45	449	342	13,945	14,974	10,655	6,750	9,467	11,210	..	..
Hungary....	*69	..	..	*1,200	..	..	13,732	38	41	648	950
Italy.....	338	899	791	10,150	7,183	7,193	1,273	4,412	2,548	..	..
Norway	4	8	9	2,548	2,276	2,126	80	..	..	..	..
Netherlands	1	9	..	2,055	2,836	1,568	7,968	5,637	7,198	..	..
Russia.....	..	..	..	6,241	38	70	2,861	..	..	..	..
Sweden ...	..	..	..	4,983	4,451	3,235	473	376	682	..	..
Switzerland.	..	3	..	..	138	144	2,822	427	886	..	..
Czechoslovakia	..	..	..	..	..	..	..	794	1,151	492	624
Other countries.....	63	28	24	6,971	8,401	8,090	821	1,019	3,902	..	..
Asia	..	16	7	795	521	513	74	7	46	..	..
Africa	239	133	161	7,218	4,875	4,580	292	8	294	..	..
Oceania	54	10	3	32	60	63	36	..	15	..	..
Not specified	..	..	..	302	1,011	1,006	7	206	14	377	1,042
Total	22,260	19,954	19,879	78,334	67,532	55,670	45,350	26,792	33,580	11,469	8,188
Bunker fuel	',468	4,047	4,414	21,368	17,977	16,704	333	65	123	..	..
Total, incl. bunker fuel	29.728	24,001	24,293	99.702	85,509	72,374	45.682	26.857	33,703	..	..

* Austria-Hungary.

In 1925 Great Britain had lost over one-quarter of her 1913 trade in coal. The reduction in bunker fuel, which is itself partly due to the decrease in coal exports, accounts for 16 per cent. of the decrease, the closing of the Russian market for 23 per cent., and the diversion of the French, German, and Italian demand for 37 per cent.

The United States shows a reduction in exports of only 19 per cent. on a total export which was not quite 30 per cent. of that of the United Kingdom in 1913; and the greater part of the reduction (58 per cent.) is in bunker coal. On the basis of the average export of 1909-13, an increase is shown.

The German export question is complicated by the deliveries of reparation coal. If these are included, the export in 1925 was about 12 million metric tons less than in 1913, and 3 million metric tons less than the average of 1909-13.

The export of coal from Poland met with a severe check on the termination, in 1925, of the Upper Silesian Convention, under which Germany undertook to accept delivery amounting eventually to 500,000 tons of coal a month from the mines in the transferred territory. In the first half of 1925 Germany took 58 per cent. of the total Polish exports; subsequently she took none. Poland had, however, met with a fair degree of success in finding other markets before the British coal stoppage; but this recovery was only achieved with the assistance of the State, which remitted the coal tax, granted special railway rates, &c.

Much concern has been expressed in England over the effect of reparations deliveries on the market for export coal. The conclusion reached by the Coal Commission was that such deliveries as a rule only took the place of the ordinary commercial exports of Germany before the war. In so far as part of the reparation coal goes to countries (*e.g.*, Italy) which were not large markets for German coal before the war, the direction of international

trade in coal may be altered, but the advantage due to sea transport tells heavily in British favour under normal conditions.

3.—IRON AND STEEL.

General.

One of the main difficulties with which the steel industry in Europe is at present faced is the excess of capacity over actual requirements. This phenomenon must be attributed in the first instance to the war, which favoured the development of this industry in countries which, owing to the impossibility of obtaining metallurgical products from the majority of the belligerent Powers, were obliged to provide for their own needs to a greater degree than heretofore, and at the same time called forth a tremendous effort on the part of the iron and steel industry in the belligerent countries themselves for the manufacture of munitions and implements of war.

Moreover, the changes effected by the peace settlement in the political map of Europe have influenced the iron and steel industry more than any other. Germany, by the recession of Lorraine to France, the division of Upper Silesia, the separation of Luxemburg from the Zollverein, and the incorporation of the Saar district in the French Customs area, lost about 80 per cent. of her iron-ore production, 30 per cent. of her coal production, 30 per cent. of her steel works, and almost 30 per cent. of her rolling-mills. On the other hand, France gained the blast furnaces and steel works of Alsace-Lorraine, and, through the division of Upper Silesia, Poland gained 0.3 per cent. of the iron ore production, 5 per cent. of the pig-iron, 7 per cent. of the crude steel, and 7.5 per cent. of the sheet-iron output of pre-war Germany. Lastly, a very substantial part of the Austro-Hungarian pre-war metallurgical production passed to Czechoslovakia.

In 1925 the world produced about 2 million tons less pig-iron and about 14 million tons more raw steel than in 1913, which was a year of exceptional prosperity. But whereas the European output of pig-iron had dropped by 9 million tons and of steel by about 2 million tons, that of the United States of America had increased by 6 and 14 million tons respectively. Moreover, the other parts of the world whose production before the war was insignificant have augmented their output both of pig-iron and of steel by approximately 2 million tons. The aggregate consumption of iron and steel in the United States in the year 1925 was nearly half as big again as before the war, while the aggregate consumption in the allied European countries had dropped by about 5 per cent. The real drop in demand has been in wrought- and cast-iron products. These latter countries have not been able to find extra-European markets in which to dispose of their surplus production, and have been faced by the competition of growing indigenous industries in their old markets, so that their own exports in 1925 failed to reach the 1913 level.

The recently formed Steel Agreement, which was signed at Brussels in September, 1926, by the manufacturers of France, Belgium, Germany, and Luxemburg, and subsequently by those of Austria, Czechoslovakia, and Hungary, endeavours to adapt actual production to immediate needs without the recurrence of crises. But the problem which must ultimately be faced is the relation between the post-war productive capacity of the industry and the world's demand for iron and steel products in the future. The opinion of many industrialists seems to be that the increased productive capacity caused by the war would not be excessive if the general economic situation were to become normal again. In the United States of America consumption per head to-day is more than twice as great as the average consumption in the leading European countries.

Production.

The world produces as much pig-iron as in 1913, and considerably more steel; but Europe produced in 1925 and 1926 some 20 per cent. less pig-iron and some 5 per cent. less steel. It must be remembered that 1913 was a record year, and the level of production of pig-iron in that year was never attained in the war period, while that of steel was only exceeded by a few per cent. during the period 1916-18. The average world production of pig-iron in the years 1923-26 exceeded that of the last four pre-war years by about 5 per cent.; the increase in that of steel amounted to 26 per cent.

The first table shows the production of steel, the figures for 1926 being largely estimates, based on available monthly statistics. The relative changes in production are then given as percentages in a second table. The memorandum, of course, contains similar figures for pig-iron.

STEEL—Production in Metric Tons (000's omitted).

	Average, 1909–13*a*	1913.	1924.	1925.	1926.
North America.....	28,527	32,862	39,199	46,886	50,000
Canada	835	1,060	660	766	790
United States	27,692	31,802	38,539	46,120	49,210
Europe	36,409	43,361	37,628	41,365	41,450
Belgium	2,138	2,467	2,875	2,549	3,374
Czechoslovakia	(1,050)*b*	1,229	1,350	1,500	1,600
France	3,883	6,973	6,900	7,415	8,386
Germany	14,547	12,236	9,835	12,194	12,340
Italy	966	934	1,358	1,533	1,610
Luxemburg	854	1,336	1,886	2,084	2,245
Poland	(1,536)*c*	1,661	682	782	790
Russia	3,964	4,212	1,139	2,149	3,120
Saar	..	2,080	1,447	1,575	1,730
Spain	304	242	545	626	650
Sweden	618	749	550	518	550
United Kingdom	6,742	7,787	8,332	7,517	3,620
Other countries	2,393*d*	1,455	729	923	1,435
Asia.....	300	346	1,639	1,800	1,900
Oceania	..	14	302	469	500
World total	65,236	76,583	78,768	90,520	93,850

a The figures for the European countries (with the exception of Poland and Czechoslovakia) refer to pre-war boundaries, the production in 1909-12 within post-war boundaries being impossible to ascertain (more especially as regards steel) in several countries affected by territorial changes.

b Included in the figure for Austria-Hungary carried to other countries.

c Average 1911-1913 included in the figures for Germany and Russia.

d Including the former Austro-Hungarian Empire, the average production of which in 1909-13 was 1,793,000 tons of pig-iron and 2,374 tons of steel.

The continents of the world, other than Europe, have made a remarkable advance, their pig-iron output being more than threefold, and their steel production about six-fold that of 1913. Their heavy metal industry before the war, however, was insignificant, and is still relatively unimportant, with an aggregate output of less than 4 per cent. of the pig-iron and less than 3 per cent. of the steel production of the world.

Immediately before the war 58 per cent. of all the pig-iron and about 56 per cent. of all the raw steel in the world were produced in Europe. By 1925 this proportion had fallen to 45.7 per cent.

In 1926, when the reduction in the British production was only just counter-balanced by the increase in that of the other European countries, the actual percentages were:—For pig-iron, North America 51, against Europe 45; for steel, North America 53, against Europe 44. In the light of the comparative figures here given, it should be once more emphasised that the difficulties of the iron and steel industries mainly concern Europe.

In Europe the conditions of the industry have varied very widely from country to country.

Spain has more than doubled its steel production since 1913. In Italy in 1926 output was 72 per cent., in Luxemburg 68 per cent., in Belgium 37 per cent., and in Czechoslovakia about 30 per cent. greater than in 1913. But since 1923 a striking recovery in steel production has taken place in Germany, France, and Russia. In 1926 Germany produced slightly more and France almost 20 per cent. more steel than in 1913 within their present frontiers. In 1926 the first important results of the reconstruction of the new iron and steel industry in the kingdom of the Serbs, Croats, and Slovenes became visible. On the other hand, the steel production of the United Kingdom, which in 1923 largely exceeded that in 1913, contracted steadily in subsequent years. The output of Poland has dropped below half of the 1913 figure, and that of Russia, Hungary, Sweden, and the Saar territory is likewise still considerably below the 1913 level.

Exports.

In the next table the exports of the five great producing countries are distinguished by continents of destination.

EXPORTS of IRON and STEEL PRODUCTS (000's omitted).

Countries.	From Germany.			From Belgium and Luxemburg in 1924-1925.		
	1913.	1924.	1925.	1913.	1924.	1925.
	Metric Tons.			Metric Tons.		
Europe	4,331	604	1,462	671	1,822	1,709
North America	54	18	145	..	63	134
Caribbean	..	..	..	..	..	..
South America	484	158	*b*	239	245	235
Asia	527	237	329	250	524	343
Africa	..	24	53	84	82	89
Oceania	..	..	..	43	..	3
Unallocated *a*	472	288	615*c*	..	59	18
Other countries	441	229	659*c*	288	516	581
Total	6,309	1,558	3,263	1,575	3,311	3,112

Countries.	From France.			From United Kingdom.			From United States.		
	1913.	1924.	1925.	1913.	1924.	1925.	1913.	1924.	1925.
	Metric Tons.			Long Tons.			Long Tons.		
Europe	382	2,337	3,189	1,213	851	720	346	81	82
North America	..	..	..	364	255	266	1,431	500	589
Caribbean	..	..	..	11	14	13	211	273	240
South America	..	..	..	572	381	406	217	154	178
Asia	..	..	..	1,405	1,197	1,122	262	417	398
Africa	80	77	108	444	372	443	32	31	24
Oceania	..	..	..	721	591	585	164	26	24
Unallocated *a*	69	174	352	..	..	..	..	43	33
Other countries	99	230	226	239	190	176	245	186	110
Total	630	2,818	3,875	4,969	3,851	3,731	2,908	1,711	1,678
				Equivalent in 5,049	3,913	3,791	Metric Tons. 2,955	1,738	1,705

a The group "unallocated" in the table comprises the iron and steel products for which specification by countries of destination is not given in the trade statistics. The greater portion of the "unallocated" products was probably exported to the countries specified in the table, whereas the sums shown under "other countries" were not consigned to any of the countries specified.

b Included in other countries.

c The increase in this item is mainly due to change of classification making a separation according to countries of destination impossible in many cases.

The export markets of the leading Continental countries are mainly European, whereas the European countries are of secondary importance for the British exports of which in recent years, as before the war, only about one-fourth went to Europe. The Far East remains the principal market for British products, and exports to Asia have declined much less than those to any other market save Africa. An attempt has been made to divide the trade in iron and steel products into seven main groups, but the variety of classification adopted introduces serious reservations.

The most striking fact brought out by the table is the drop in the absolute and relative importance of the crude iron and steel (pig-iron, ingots, blooms, billets, &c.) in the exports of Germany, the United Kingdom, and the United States, and the increase of these articles in the exports of the Belgo-Luxemburg Union and France. Moreover, the exports by the three first-mentioned countries of construction steel, bars, angles, &c., have greatly diminished. The exports of permanent railway materials (rails, sleepers and fishplates) from the United Kingdom and the United States show a similar, though even more marked, decline in recent as compared with pre-war years, whereas Germany in 1925 regained her former position. In the exports of plates and sheets, the United Kingdom and the United States have maintained or even strengthened their pre-war position—the former alone supplying about one-half of the quantity entering into the world's trade—with the result that the relative importance of this group in the exports of these countries has greatly increased.

EXPORTS of IRON and STEEL PRODUCTS.*
Metric tons (000's omitted).

Articles and Years.	Belgium.*a*		France.*b*		Germany*c*		United Kingdom.		United States.	
	Quan.	%	Quan.	%	Quan.	%	Quan.	%	Quan.	%
Pig-iron and ferro-alloys—										
1913	17	1	113	18	856	14	1,142	23	232	10
1924	130	4	784	28	67	4	610	16	46	3
1925	97	3	710	19	226	9	569	15	39	2
Blooms, billets, ingots, &c.—										
1913	159	30	331	51	701	11	4	..	835	8
1924	773	23	1,319	47	47	3	11	..	5	..
1925	783	26	2,096	54	108	4	5	..	4	..
Construction iron and steel bars, angles, girders, beams, joists, &c.—										
1913	745	47	..	..	690	11	516	10	627	21
1924	1,679	49	..	..	56	4	390	10	286	16
1925	1,119	47	..	..	119	5	305	8	305	18
Plate and sheet (including tin-plate), hoops and strips—										
1913	205	13	14	2	1,837	29	1,603	32	644	22
1924	251	7	74	3	445	28	1,777	46	657	38
1925	315	11	229	6	960	37	1,663	44	681	40
Wire and rods—										
1913	68	4	30	5	462	7	119	2	306	10
1924	101	3	110	4	175	11	130	3	168	10
1925	113	4	163	4	340	13	120	3	145	9
Rails, sleepers and fishplate										
1913	165	11	76	12	636	10	635	13	460	16
1924	226	7	292	10	89	6	280	7	210	12
1925	220	7	241	6	404	15	317	9	154	9
Tubes and pipes, &c.—										
1913	6	..	5	..	416	7	400	8	282	10
1924	17	1	19	1	123	8	252	6	241	14
1925	21	1	70	2	310	12	286	8	272	16
Other iron and steel products—										
1913	216	13	71	11	711	11	680	12	109	3
1924	251	7	220	8	556	36	465	12	125	7
1925	356	11	366	9	126	5	492	13	105	6
Total—										
1913	1,575	100	630	100	6,309	100	5,049	100	2,955	100
1924	3,411	100	2,818	100	1,558	100	3,915	100	1,738	100
1925	3,005	100	3,875	100	2,595	100	3,791	100	1,705	100

* Excluding ore and scrap. *a* Including Luxemburg in 1924 and 1925.
b Including Saar in 1925. *c* In 1913 old territory, including Luxemburg.

The report gives figures of consumption as well as of production. The outstanding fact is that the aggregate consumption in the U.S.A. rose from 36 million tons in 1913 to 54 millions in 1925, or by 50 per cent.; while the aggregate consumption in Belgium, France, Germany, Italy, Luxemburg, the Saar, and the United Kingdom, which was also 36 million tons in 1913, dropped to 34 millions in 1925, or by some 5 per cent.

4.—SHIPBUILDING.

General.

The world's mercantile fleets between 1900 and 1914 showed an average rate of increase of 1.4 million tons per annum; from 1911 to 1914 the average increase was two million tons per annum, a rate which would probably have resulted in a heavy falling-off in subsequent demand, even if there had been no war. The average net increase to the world fleet over the period 1900 to 1914 was 4 per cent. per annum; shipbreaking and marine losses account for 2½ per cent. per annum, so that shipbuilding in successive periods averaged 6½ per cent. of the fleet in existence. In pre-war days a considerable amount of warship construction was undertaken in merchant shipyards; in 1911 as much as ¾-million tons of warship tonnage was launched in the world, which provided an amount of work much greater than an equal displacement tonnage of merchant ships. It was calculated during the war that the labour demand for warship displacement tonnage is at least twice as much as for merchant ship gross tonnage.

The world pre-war shipbuilding capacity was about 5 million gross tons (including 1.5 million gross tons for the equivalent of warship displacement); in 1913 3⅓ million tons of merchant shipping was built in various countries of the world.

The world tonnage of 1925, over 64½ million tons, included laid-up tonnage amounting to 6 million tons; and a certain amount, estimated at some 5 per cent., was being run at a loss to avoid the greater loss of laying-up.

The real world demand to-day is probably not more than 55 million tons. There is thus a surplus of about 10 million tons, which has existed for at least four years, and until this is absorbed or destroyed shipbuilding will necessarily be limited to essential requirements.

The total capacity of the merchant shipbuilding yards, thus enlarged to serve war purposes, may have attained temporarily 10 million tons. Warship construction, owing to the Washington Treaty, is now almost negligible, and the yards must therefore rely on orders for the mercantile marine.

An estimate of the relation between capacity and actual construction may be based on the output of merchant vessels in peak years in the principal maritime countries.

The following results are then obtained, the United States being omitted from the total on account of the abnormal circumstances of the case :—

		Maximum Year's Output. Tons (000's).		Output in 1925. Tons (000's).		Percentage in 1925 of Peak Year.
United Kingdom	(Peak year, 1920)	2,055·6	..	1,084·6	..	52·8
Germany	(„ 1922)	525·8	..	406·4	..	77·3
Italy	(„ 1921)	164·7	..	142·0	..	86·2
Japan	(„ 1919)	611·9	..	55·8	..	9·1
Netherlands	(„ 1921)	232·4	..	78·8	..	33·9
France	(„ 1921)	210·7	..	75·6	..	35·9
		3,801·1	..	1,843·2	..	48·5
U. States (excluding lake tonnage)		3,579·8	..	78·8	..	2·2

This shows, for the principal shipbuilding countries, excluding the United States, that there was in 1925 only 48 per cent. of the activity in a peak year. The German industry was not depressed to the same extent, because the yards were still employed with the replacement work undertaken to make good the deliveries under the peace treaty. Italian yards were well employed, and in the first nine months of 1926 launchings were 110,660 tons of steamers and motor ships. At the end of the war there were heavy arrears in liner construction to be made good, especially in Great Britain. These arrears have now been overcome; but at the end of 1926 there were distinct signs of revival in Great Britain and Germany. The immediate future of the industry in each country is likely to depend, not only on the rate of scrapping old ships and on the general demand for tonnage, but on the demand for new types of vessels. For this reason, prosperity is not, and is not likely to be, uniform, even within any single country.

Construction.

Tonnage Launched.—The following table gives the figures of the tonnage of merchant vessels of 100 tons gross and upwards launched in the principal shipbuilding countries in 1913 and in years following the war :—

GROSS TONNAGE of MERCHANT VESSELS of 100 TONS GROSS and UPWARDS launched in the VARIOUS COUNTRIES of the WORLD.

(Figures taken from "Lloyd's Register of Shipping".) (1913 and average 1909–13 are added for comparison.) (Percentages have been added.) (Tonnage in thousands of tons.)

Country.	1913.		Average 1909-13.		Average 1918-20.		1924.		1925.	
	Tonnage.	%	Tonnage.	%	Tonnage.	%	Tonnage.	%	Tonnage.	%
Germany	465·2	14·0	272·8	11·0	No returns		175·1	7·8	406·4	18·5
Belgium	30·2	0·9	13·8	0·6	3·6	·05	4·0	0·2	4·2	0·2
Denmark	40·9	1·2	21·1	0·8	41·6	·7	63·9	2·8	73·3	3·3
France	176·1	5·3	107·1	4·3	46·6	·76	79·7	3·6	75·6	3·5
Italy	50·4	1·5	29·4	1·2	93·2	1·5	82·5	3·7	142·0	6·5
Norway	50·6	1·5	40·4	1·6	48·1	·8	25·1	1·1	28·8	1·3
Netherlands	104·3	3·1	85·4	3·4	131·4	2·1	63·6	2·8	78·8	3·6
Great Britain and Ireland	1,932·2	58·0	1,541·8	61·9	1,674·7	27·2	1,439·9	64·1	1,084·6	49·4
Sweden	18·5	0·6	11·4	0·5	51·4	·9	31·2	1·4	53·8	2·5
United States	276·4	8·3	234·6	9·4	3,194·9	51·9	139·5	6·2	128·8	5·9
Japan	64·7	1·9	49·9	2·0	519·5	8·4	72·8	3·2	55·8	2·5
British Dominions	48·3	1·4	27·3	1·1	280·7	4·5	44·9	2·0	46·1	2·1
Other countries	75·1	2·3	54·9	2·2	66·5	1·1	25·6	1·1	15·2	0·7
Total	3,332·9	100	2,489·9	100	6,151·2	100	2,247·8	100	2,193·4	100
Index (average 1909-13=100)	133·9		100				90·3		88·1	

During the three years 1918-20 the tonnage launched in the world average 6,151,000 tons per annum, as compared with an average of 2,490,000 tons in 1909-13. Of the triennial total of 18,454,000 tons, over one-half, namely, 9,585,000 tons, was built in the U.S.A. and over 5,000,000 tons in Great Britain. The present crisis must be attributed partly to the over-production of these years, stimulated by the building of national fleets on Government account in North America and Australia. The shipbuilding programmes begun by Governments during the war could not be immediately liquidated, but there was also an increase in ordinary commercial shipbuilding due to the short post-war boom. Owing to the length of time required for the construction of a large vessel, the general depression of 1921 was not immediately reflected in the quantity of tonnage launched, and even in 1922 there was an increase of nearly 2½ million gross tons, an amount equal to the pre-war average. The final result was to increase the total merchant tonnage from about 47 million tons in 1913 to 65 million tons in June, 1923. Since that date, scrapping and losses have exceeded production, but the level of total tonnage is still 40 per cent. higher than in 1913.

An examination of the kind of new tonnage and of the size of the new units is of great importance.

Existing Tonnage and the Demand.

The demand for new ships and consequently the activity of the shipbuilding industry necessarily depends on a series of factors, the most important of which may be summarised as follows:—

(1) The amount and age of existing tonnage.
(2) The extent of the world's carrying trade;
(3) The rate at which older ships are scrapped and the number of ships lost at sea;
(4) New demands for special types of ships;
(5) The amount of shipping laid up which may, in case of a boom in overseas trade, be brought again into operation;
(6) Naval construction for war purposes.

Of these factors (1) and (3) are capable of exact measurement. But, though figures for the age of ships in 1925 and 1926 are available, no corresponding figures exist for the pre-war period. The record of ships entered and cleared in the ports of the world affords some evidence of the extent of the world's carrying trade; but unfortunately the figures in many cases include ships in ballast. Moreover, the amount of available space actually occupied by cargo varies greatly.

The new demand for special types of ships can be measured to some extent, and has already been touched on in the earlier section. The figures of tonnage laid up are only of limited value in this connection, since no information is available of the age and character of the ships.

The highest percentage of shipping laid up is in the United States, where the situation, as has already been explained, is abnormal.

Comparing 1913 with 1925, world tonnage has increased by nearly 40 per cent., while entrances and clearances in twenty countries show an increase of only 16 per cent., and if the Chamber of Shipping figures of cargoes are accepted, there has been a serious decrease in cargoes.

The contraction in the demand for tonnage is explained partly by the general depression of trade, but also by certain special reasons operative since the war. Among these may be mentioned :—

(1) The substitution of oil fuel for coal fuel in an increasing proportion of new ships, thus lessening the demand for bunker coal.

(2) The overland delivery of reparations coal from Germany, which lessens the overseas demand of the recipient countries.

(3) The decrease in coal cargoes due to increased economy in the utilisation of coal and the adoption of alternative means of securing power.

(4) The tendency to use liner tonnage instead of tramp tonnage for merchandise.

(5) The development during the war of the merchant marine of countries bordering on the Pacific, which tends to decrease the demand for European tramp tonnage.

(6) The general increase of the speed of vessels, increasing the number of trips made per year by individual ships. The post-war restrictions on emigration traffic reduce the earnings of Transatlantic liners, but tramp tonnage especially tends to become less profitable.

5.—COTTON.

General.

All the statistics point to a slight general increase in the consumption of cotton goods. In 1925 the production of raw cotton was 125 per cent. of the average production of 1909-13. Consumption of cotton by cotton mills measured in bales showed an increase of 1.6 per cent. in 1924-25 and of 7.6 per cent. in 1925-26 as compared with 1912-13. There is therefore no general decrease in world consumption; there is probably a considerable increase in the demand for cotton for industrial uses, notably in the motor and electrical industries.

But although there is no general falling off in consump-

tion, there is a decrease in certain countries. It is estimated that in India, with a population of 325,000,000, the decrease may amount to 7 per cent.; in Russia, with a population of 140,000,000, consumption per head was in 1924-25 still only 62 per cent. of the pre-war consumption of Russian-produced goods, leaving imports out of account. In certain European countries, more especially in the south-east, consumption is almost certainly less.

Though world consumption has not decreased, world trade, especially in yarns, is smaller, and, since the United Kingdom for half a century was responsible for the major part of extra-European trade in cotton goods, this change has fallen most heavily on the Lancashire industry.

Production Capacity.

The productive capacity of the cotton industry is usually measured by the number of spindles, which is shown in the following table:—

RAW COTTON-SPINNING SPINDLES of the WORLD
(Not including Doubling or Waste Spindles).
(000's omitted.)

	1913.	1920.	1926.
Great Britain	55,652	58,692	57,286
France	7,400	9,400	9,511
Germany	11,186	9,400	10,480
Russia	7,668	7,200	7,246
Italy	4,600	4,515	4,833
Czechoslovakia	..	4,584	3,568
Spain	2,000	1,800	1,817
Belgium	1,492	1,572	1,854
Switzerland	1,398	1,536	1,529
Poland	1,322	1,400	1,375
Austria	4,909	1,140	1,032
Holland	479	598	921
Sweden	534	670	571
Portugal	480	482	503
Finland	222	240	255
Denmark	89	92	74
Norway	74	73	53
Europe: Total	99,505	102,394	102,928
India	6,084	6,689	8,510
Japan	2,300	3,690	5,573
China	..	1,600	3,436
Asia: Total	8,384	11,979	17,519
U.S.A.	31,505	35,834	37,585
Canada	855	1,200	1,167
Mexico	700	720	830
Brazil	1,200	1,600	2,493
America—Total	34,260	39,354	42,075
Countries not specified	1,300	750	1,201
Grand total	143,449	154,477	163,723

Spinning capacity throughout the world has thus increased by 14 per cent. since 1913; but the increase in the number of spindles between 1900 and 1913 has been estimated at 3 per cent. per annum. The significant fact is the change in distribution:—

DISTRIBUTION and INCREASE of the WORLD'S COTTON SPINDLES.

Countries.	As % of World Total, Aug. 31, 1913.	As % of World Total, July 31, 1926.	As % of Number on Aug. 31, 1913.
Great Britain	33·8	35·0	102·9
U.S.A.	22·0	23·0	119·3
Germany	7·8	6·4	93·7
France	5·2	5·8	128·5
India	4·2	5·2	139·9
Japan	1·6	3·4	242·3
Italy	3·2	2·9	105·1
China	0·7	2·1	340·9
Other countries	16·5	16·2	111·8
World total	100	100	114·1
America	23·9	25·7	122·8
Asia	6·5	10·7	186·7
Europe	69·4	62·9	103·4

The advantage lost by Europe is greater than at first appears, as the Russian figure certainly includes many useless spindles. Moreover, the increases are reported from countries where the two-shift system and long hours are still the rule, so that the change in capacity is greater than appears from the table.

A subsequent table, however, shows that if distinction is made between the mule-jinnies and ring spindles, the Asiatic producing centres are not yet equipped for the production of fine yarns. The mule-jinny requires skilled operators, and the traditional supremacy of Lancashire is due to her command of this skilled labour. At the same time, improvement in the more newly industrialised countries continues, and the ring-frame is constantly being adapted to the production of finer counts.

In India and Japan there has been a reduction in the output of the lower counts up to 20's, and an increase in the output of counts up to 30's. It appears that while Asia and America tend to become more self-sufficing in respect of the coarser yarns, the European mills, commanding skilled labour, have still an assured market for the finer yarns and yarns for special purposes. Spindleage is, however, not in itself a test of output, for returns in the memorandum show that a very varying amount of short time was worked in different countries.

Raw Material.

A.—Consumption.

A somewhat different index of the cotton industry is the consumption of raw cotton.

ESTIMATED WORLD CONSUMPTION of COTTON*
(In Thousands of Bales, 000's omitted).

	1912–13.	1919–20.	1924–25.	1925–26.
AMERICAN.				
Great Britain	3,667	3,074	2,344	2,093
Germany	1,312	640	916	884
France	806	854	806	835
Russia	487	..	309	273
Italy	570	571	639	712
India	94	..	12	10
Japan	425	829	689	882
U.S.A.	5,553	6,010	5,903	6,170
Others	1,716	1,346	1,638	1,871
Totals	14,630	13,324	13,256	13,730
ALL COTTONS.				
Great Britain	4,274	3,736	3,235	3,022
Germany	1,728	871	1,211	1,148
France	1,010	1,046	1,122	1,179
Russia	2,509	..	1,084	1,752
Italy	789	770	1,002	1,037
India	2,177	2,132	2,440	2,064
Japan	1,588	2,229	2,459	2,816
U.S.A.	5,786	6,425	6,127	6,395
Others	3,139	3,469	4,614	5,268
Grand total	23,000	20,678	23,294	24,681

* Based on the International Cotton Federation's Spinners' returns for the years ended August 31, 1913, and July 31, 1919–26.

The outstanding features of this table are:—

(1) That world consumption has increased by 1,681 thousand bales or by 7.3 per cent.

(2) That consumption in Great Britain fell from 4,274 thousand bales in 1912-13 to 2,718 thousand in 1923-24, and was only 3,022 thousand in 1925-26, a decrease on the pre-war figure of 1,252 thousand bales, or nearly 30 per cent.

(3) In Europe, French consumption has increased by 16 per cent. on account of the addition of the Alsatian spindles, while German consumption shows a greater corresponding loss. Italy shows a large increase. Belgium, the Netherlands, Spain and Switzerland all show increased consumption.

(4) The decrease in British consumption tallies fairly closely with the decrease in the export of piece goods. The piece goods exported in 1913—7 million square yards—represented about 4 million bales of raw cotton; those of 1925 4.4 million square yards, about 2.5 million bales, the actual decrease in consumption being 1,252,000 bales.

(5) United States consumption shows an absolute increase of 609,000 bales, and a percentage increase of 11.5; Japan an absolute increase of 1,228 thousand bales, and a percentage increase of 77; India has shown a net increase in

certain years. There has certainly been an increase in China and Brazil. It will be seen that the increased consumption in Japan practically balances the decrease in Great Britain. The real turnover in the balance of consumption from Europe to Asia is greater than the figures indicate as data for China are not available.

Production of Raw Cotton.

The world production of cotton has greatly increased in the last two years, as the following figures show :—

WORLD COTTON CROP (Metric Tons, 000's).

Average 1909-10 to 1913-14	4,840
1922-23	4,159
1923-24	4,251
1924-25	5,375
1925-26	5,980

Imports and Exports.

The shift in the consumption of cotton and in the production of yarn and cloth from the exporting countries of Europe to the great consuming markets in Asia has carried with it a reduction of world trade in cotton goods. Export figures form the best index, and are shown for the principal countries in the following tables :—

EXPORTS of YARN (Metric Tons).

	Average, 1909–13.	%	Average, 1923–25.	%	% 1923–25 of 1909-13.
United Kingdom	98,397	33·6	75 237	33·4	76·5
Italy	13,149	4·5	15,219	6·8	115·7
Germany	14,356	4·9	6,478	2·9	45·1
Czechoslovakia	..	..	19,482	8·7	..
Belgium	5,558	1·9	8,996	4·0	161·9
France	8,444	2·9	11,536	5·1	136·6
India	89,924	30·7	16,967	7·5	18·9
Japan	51,497	17·5	49,770	22·1	96·6
Other principal countries	11,872*	4·0	21,334	9·5	179·7
	293,197	100	225,019	100	76·7

* Excluding U.S.A. Average export of yarn from U.S.A. in 1923–25 was 7,801 metric tons.

EXPORTS of PIECE GOODS (Metric Tons).

	Average 1909-13.	%	Average 1923-25.	%	% 1923-25 of 1909-13.
United Kingdom	536,837	69·9	369,111	50·7	68 8
United States of America	33,465	4·4	42,588	5·8	127·3
Italy	42,910	5·6	58,350	8·0	136·0
France	44,324	5·8	45,374	6·2	102·4
Japan	10,336	1·3	84,188	11·6	814·5
Czechoslovakia	..	..	31,082	4·3	..
India	12,728	1·7	18,674	2·6	146·7
Other principal countries	87,105	11·3	81,348	11·1	93·4
	767,703	100	730,715	100	95 2

The above figures show that the volume of the recorded trade in yarn has fallen by nearly 23 per cent., and the trade in cotton piece goods by 4.8 per cent.

6.—MECHANICAL ENGINEERING.

The outstanding feature of the volume of papers on enginering is the attempt by the German Engineering Association to estimate the world's output and output capacity in 1925 and before the war. It is, of course, extremely hard to find a unit of measurement for an industry which produces such a variety of products, and the estimate has therefore been made in terms of money (Reichsmarks). The comparison with 1913 has been made by framing a further estimate for that year and reducing the 1925 estimate to pre-war prices by using an index of the change in the level of prices. The British Engineering Association has criticised in various respects the detail of this calculation, notably from the method of calculating "capacity," and they also think that the output figure for Great Britain in 1925 is too high—being based on an underestimate of the rise of prices of engineering products in Great Britain. The figures are, however, of importance as being an expert estimate by the organisation of a great engineering country. The net result is as follows :—

Output and Output Capacity of the World's Engineering Industry in millions of marks.

	1913.		1925.				
			At Pre-war Prices.				Degree of Activity.
	Output.a		Output.		Output Capacity.		
		%		%		%	%
United States	6,775	50·0	8,465	57·6	11,330	57·1	74·5
Great Britain	1,602	11·8	2,007	13·6	2,307	11·6	87·4
Germany	2,800 (2,700b)	20·6	1,933	13·1	3,359	16·9	(72·4c)
Other Countries	2,378 (2,478b)	17·6	2,300	15·7	2,860	14·4	80·0
Total	13,555	100·0	14,705	100·0	19,856	100·0	74

a Capacity in 1913 is taken as equivalent to output; the degree of activity may be put at 100 per cent. b The figures in brackets give production within post-war boundaries. c Capacity was not calculated with the help of this figure.

As these figures relate, however, to production *values*, and as the production figures in the United States are naturally based upon prices in America, which are partly above world market prices, and therefore exceed the export prices of the same machinery, the output and capacity of the United States appear unduly high in comparison with other countries, particularly for 1925 after the Customs tariff increases in 1922.

Exports of Machinery Throughout the World in Millions of Marks.

	1913		1925 At Pre-War Prices.		Increase 1913 to 1925.
	Mill. M.	%	Mill. M.	%	%
United States	680·6	26·8	853·2	34·8	+ 25·2
Great Britain	721·3	28·4	598·8	24·4	— 17·0
Germany	738·4	29·0	489 9	20·0	— 33·6
Other countries	396·9	15·8	508·3	20 8	+ 28·1
Total	2,537·2	100·0	2,450·2	100·0	— 3·4

As regards the nature of the machinery exported, the biggest exports from each country are in respect of those kinds of machinery for which there is a large home market. Thus in the United States the first place among exports is held by agricultural machinery, in Great Britain by textile machinery, and in Germany also by textile machinery, or—excluding sewing machines—by machine tools.

Arranging the exports of the three most important exporting countries according to the purchasing markets, the ten most important customers of each, before and after the war, are seen to be as follows :—

MARKETS of the UNITED STATES.
(Millions of Reichsmarks.)

Country.	1913.	1924.
Canada	145·9	158·6
Great Britain and Ireland	68·5	103·2
Brazil	30·7	28·4
Mexico	26·6	59·9
France	20·5	70·4
Russia	19·9	..
Argentine	19·6	105·2
Australia	19·2	52·6
Cuba	18·1	56·4
Japan	15·5	59·5
Union of South Africa	..	22·4
Total	384·5	719·2
Per cent. of all exports	57	71

MARKETS of GREAT BRITAIN.
(Millions of Reichsmarks.)

Country.	1913.	1924.
India	102·1	186·3
Russia	77·7	..
France	45·6	53·8
Australia	43·6	58·1
Argentine	34·7	24·4
Japan	33·9	51·0
Union of South Africa	28 9	38·2
Brazil	25·9	28·9
Belgium	21·3	27·1
Netherlands	19·9	..
Spain	..	22·4
China	..	22·0
Total	433·6	512·2
Per cent. of all exports	60	67

MARKET of GERMANY.
(Millions of Reichsmarks.)

Country.	1913.		1925.
Russia	136·5	....	39·9
Austria-Hungary	84·4	....	..
France	74·6	....	..
Great Britain	39·9	....	33·3
Italy	39·2	....	59·9
Belgium	37·1	....	..
Netherlands	35·0	....	48·1
Spain	26·0	....	34·7
Switzerland	25·6	....	28·7
Brazil	24·8	....	43·9
Poland	..	....	34·2
Argentine	..	....	29·6
Sweden	..	....	28·7
Total	523·1	....	381·6
Per cent. of all exports	72	....	51·8

By far the greatest increase in imports, both absolutely and relatively, compared with the pre-war period, is shown by Asia; Latin America has remained below its pre-war level, while Australasia and Africa fluctuate in the neighbourhood of that level. We find, therefore, not so much an increased industrialisation of the former raw material districts, as a relative displacement, within those increasingly industrialised districts, of the centre of gravity towards the Far East.

If the world's imports of machinery are divided into (*a*) the imports interchanged by countries which themselves produce machinery and (*b*) the imports of countries without a mechanical engineering industry of their own, we obtain the following figures:—

	1913.	1925. Pre-War Prices.	1925. Post-War Prices.
	Millions of Marks.		
a	1,659 = 65·4%	1,369 = 55·8%	2,053 = 55·8%
b	878 = 34·6%	1,081 = 44·2%	1,622 = 44·2%
Total trade	2,537 = 100·0%	2,450 = 100·0%	3,675 = 100·0%

The imports of machinery of the countries in process of industrialism have therefore somewhat increased in absolute figures; but the rise in their percentage from 35 to 44 per cent. is due less to this absolute increase than to the substantial falling-off in exchanges between countries which themselves produce machinery.

Nevertheless, these figures show that exchanges between the countries producing machinery still play the most important part; though nearly three-quarters of British exports of machinery goes to countries where manufacturing is either non-existent or of quite minor importance.

7.—CHEMICAL INDUSTRY.

It is almost impossible to sum up the output and distribution of the world's chemical trades owing to the lack of official production statistics. The German Memorandum, however, gives a tentative figure of 10 milliard gold marks in 1913 and 18 milliards in 1923 or 1924. Details are given for a great number of products—including sulphuric acid—the world output of which has risen from 11½ million metric tons in 1913 to 14½ million tons in 1925—the whole increase being due to the United States, whereas Germany and Britain show large falls; nitrogenous fertilisers, the output of which is up from 771,000 tons of nitrogen to 1,250,000 tons; and dyestuffs, which fell from 162,000 tons in 1913 to 154,000 tons in 1924, the German output being down from 135,000 to 70,000 tons.

As regards overseas trade, the scope of the term "chemical products," as used in official trade statistics, varies widely; in the accompanying table the figures have been reclassified on a uniform basis, and conversion into gold marks effected on the basis of the average rates for the year.

FOREIGN TRADE in CHEMICAL PRODUCTS (Millions of Gold Marks).

	1913. Imports.	1913. Exports.	1925. Imports.	1925. Exports.
Germany	490	910	240	930
United States	520	310	700	650
Great Britain	290	500	340	550
France	250	310	270	540
Italy	130	65	140	170
Belgium	*180	180	140	175
Netherlands	*250	180	180	140

* Including goods in transit.

A closer consideration of the export figures shows that, in 1913, chemical products to the value of 3.2 milliards of gold marks crossed the frontiers, while in 1925 the figure was four milliards. This increase more or less corresponds to the depreciation in the value of gold. *The total volume of the international trade in chemical products has therefore not materially changed.*

If we compare the total export values with the total production values of separate years we find that, in 1913, out of a production of approximately 10 milliards of gold marks 3.2 milliards, or 32 per cent., were exported, while in 1924, out of a production of 18 milliards of gold marks, 3.6 milliards, or only 23 per cent., was exported. Therefore, in the world as a whole, the home markets have absorbed a greater proportion of the production, while the proportion of exports has fallen.

Two points of general interest emerge from the papers. The first is that chemical production is gradually making the economic system independent of the natural distribution of raw materials. This is true of industry in general, for which chemistry is gradually producing alternative materials to natural products. It is also to some extent true of the chemical trade itself. This independence is, of course, only relative. The supply of raw materials imposes certain limits on the industry. The inorganic chemical industry, for example, depends on the supply of cheap power and on that of salt, lime and suitable transport facilities for pyrites or uncombined sulphur. For establishments for making synthetic nitrogen cheap power is a pre-requisite. The most favourably placed country in this respect is the United States, which has nearly all the raw materials required for chemical production in her own territory. As regards the three chief European producing countries, Germany is particularly short of phosphates, and her requirements in pyrites are only partly met by home production. Great Britain has also no phosphates and no sulphur or pyrites. France has at her disposal considerable pyrite deposits in her own territory and enormous phosphate deposits in her North African possessions, but has difficulties with regard to her coal supply and has to import pyrites.

This leads to the second point, which is strongly made in a paper submitted by M. Duchemin, in which he argues forcefully that there is no natural monopoly of the materials of the chemical trades found in countries which could not use their whole resources at home (say pyrites in Spain or nitrate in Chili). Moreover, science is steadily increasing synthetic products. The industry employs little labour and few specialised workers. Science is spreading over national boundaries. He therefore concludes that most developed nations could foster a chemical trade, and he predicts that "the time will come when a great many nations will be self-sufficing in respect of synthetic products. He therefore urges that the conference should draw the attention of the States to the danger of overproduction, and the desirability of enabling countries which are not yet producers by means of commercial treaties "to obtain on easy and advantageous terms the products of which they forgo the manufacture."

PART II.—TARIFFS AND TRADE QUESTIONS.

1.—INTRODUCTION.

The extent to which tariffs are likely to constitute an obstruction to trade depends not only on their level, but also on the frequency with which they are modified. The whole period since 1918 has been characterised by extreme instability of prices and constant and frequently irrational tariff changes. These changes of tariff have often been effected not in order to protect any particular industry, but with the object of "righting the balance of trade" or improving the exchanges, with the object of restricting trade, not of promoting production. Neither in 1925 nor in 1926 had price stability been achieved. It is, therefore, extremely difficult to estimate the effect which tariffs have had on trade and production, or, in certain cases, to determine whether any apparent decrease in the rates of duty represents a real reduction of trade barriers.

By the end of 1926 the influence of the price factor on tariffs had become restricted to a relatively small area, and it became more possible to judge the probable effect of tariffs on the various industries. In the case of iron and steel, the available evidence points rather towards a reduction than an increase of rates in Europe as a whole. They are higher in Spain than before the war, in Roumania, and in the kingdom of the Serbs, Croats and Slovenes on certain products. But in the majority of European States they were lower. Cotton duties, on the other hand, were generally higher, though Austria, the Scandinavian countries, and Roumania are exceptions to the rule. The duties on chemicals have been raised, more especially in those countries, such as France, Belgium, Italy, and the United Kingdom, in which the industry was greatly expanded during the war, and in Czechoslovakia and Spain, and the same group of countries, with the exception of the United Kingdom, have raised their rates on a number of the products of the electrical and mechanical engineering industries. For the engineering industry the minute subdivision of headings which is a marked feature of post-war tariffs makes it difficult to estimate the changes in the average value of duty. In a number of countries, however, in which the industry is not highly developed an effort has been made to expand the industry by means of highly protective rates. But it is outside Europe that some of the most remarkable changes have been made and some of the highest rates are in force. Thus, according to the calculations of the German Federation of Industries, the average rate of duty imposed in Japan on chemical products has been increased almost four and a-half fold, and the Indian more than fivefold. The Australian tariff on certain products of the electrical engineering industry has also been very considerably increased.

The Indian duty on cotton piece goods has been increased on the average from 3½ per cent. to 11 per cent. The Japanese duties have been raised in many cases by 50 per cent. or more, as, too, have those in the Argentine.

The situation to-day is no doubt somewhat more favourable than it was in 1924 or 1925. In 1924 the currencies of five countries were definitely stabilised, in 1925 of 13, in 1926 of two. The probability of great price discrepancies from country to country is therefore greatly diminished. Secondly, a very large number of Customs conventions tending to reduce the average rates of duties on industrial products have been signed in the last few years, and many are still in course of negotiation. Thirdly, such measures as the arrangement of the International Steel Agreement may have an influence on tariffs and lessen the pressure to have higher rates imposed, at any rate in those countries which are parties to the agreement. On the other hand, tariffs in the world as a whole are, on the average, distinctly higher than before the war, while the number of independent countries, and consequently the number of barriers across trade routes in Europe, has increased from 20 to 29. Moreover, it so happens that a number of the industries considered have been less subjected to higher duties than have those with which we are not here so immediately concerned. The evidence given above with reference to them must not, therefore, be accepted as typical of general conditions.

2.—THE LEVEL OF TARIFFS.

The Secretariat has made a very elaborate investigation into the level of tariffs of some twenty countries. The problem is a very difficult one, for tariff schedules are extremely elaborate, and in the case of specific duties it is essential to discover a more or less standard price in order to estimate the level of the duty on each commodity under consideration. Many have suggested that a simple way of measuring tariffs is to take the yield of tariff duties and compare that figure with the total foreign trade of the country in question. A moment's consideration, however, shows that this is completely fallacious. The higher the duty the more effective it is in keeping goods out of the country, and if a tariff is completely effective in doing this and the country only imports duty-free goods the tariff level measured by such a method would be zero, whereas, in fact, the protection afforded to home products would be complete. The League memorandum demonstrates the absurdity of this method by calculating the yield of tariffs in this way. The result shows that Great Britain is nearly three times as protectionist as France, and that Germany and Canada have a higher tariff than the United States. Such results are notoriously contrary to the facts.

Clearly what is wanted is to calculate the level of a given tariff in relation to trade in general, and not in relation to the trade which gets into a country in spite of the tariff. The League has therefore made two kinds of calculations. The first is based upon seventy-eight commodities, or groups of commodities, collected on account of their importance in international trade. For these commodities prices are taken on the basis of the import statistics of the country whose tariff is to be measured, whether the commodities are imported into the country in a large volume or not. The average is then taken of these price rates. The second method uses a much longer list of 278 commodities. In this calculation an attempt is made to estimate international world values by taking the export prices of the country most concerned with the commodity in question, and the tariff to be measured is calculated on this price. For the past year, in respect of which the calculation is made, this last estimate has been further worked out by weighting the indices in proportion to the importance of the article concerned in international commerce. The technical difficulties in making a calculation of this kind are very great, and the report contains several pages of correspondence with various countries who raise objections of one kind or another to the method adopted. For example, by taking export prices we are using prices less than those at which the tariff is levelled since the actual import prices include freights. A tariff measured on this method, therefore, tends to be on the high side. Again, an average figure may conceal the fact that a country is highly protectionist in regard to manufactures, but admits food and raw materials very cheaply, or *vice versa*. Moreover, it is pointed out in the American criticism that these indices of tariffs do not necessarily indicate the protective effect of the tariff, since a 30 per cent. tariff may fail to keep out commodities where prices and costs of production are high, whereas in a country under different circumstances a 10 per cent. tariff might keep out a very large quantity of goods that would otherwise be imported. Finally, several countries object that to compare the tariffs of 1925 and 1913 is not a true picture of the present position because tariffs are changing rapidly and commercial treaties are constantly being negotiated which are modifying them. This, however, is not an argument against an attempt to ascertain the facts. It is an argument for making them more correct. This study is, in short, a significant illustration of the maxim that "Truth emerges more easily from error than from confusion." Nevertheless, in spite of criticisms the League calculation is an important step in attempting to measure the level of the import duty barrier which various countries impose against the inflow of world commerce into their territory.

The indices based upon the export price method of

calculation for all commodities and for manufactured articles separately are as follows:—

	All Commodities.		Manufactured Articles.	
	1913.	1925.	1913.	1925.
Argentine	26	26	28	29
Australia	(17)	(25)	(16)	(27)
Austria *a*	18	12	18	16
Belgium	6	8	9	15
Canada	18	16	26	23
Czechoslovakia *a*	18	19	18	27
Denmark	9	6	14	10
France. †	18	12	20	21
Germany	(12)	(12)	(13)	(20)
Hungary *a*	18	23	18	27
India	4	14	4	16
Italy	17	17	18	22
Netherlands	3	4	4	6
Poland	..	23	..	32
Spain	33	44	41	41
Sweden	16	13	20	16
Switzerland	7	11	9	14
Kingdom of the Serbs, Croates, and Slovenes	..	23	..	23
United Kingdom	..	(4)	..	(5)
United States	*33 †16	29	*44 †25	37

a Pre-war figures refer to Austria-Hungary.
* 1913 Tariff. † 1914 Tariff.

During 1926, as a result of the fall in the franc, two tariff increases were made. Moreover, during the year some agricultural duties which had been suspended were re-imposed. On the other hand, the franc is lower to-day than in 1925. The net result is to raise the basic rates by some 40 per cent. On the other hand, during 1926 France concluded several commercial treaties which lowered these duties. In the circumstances it is difficult to be exact, but there is no doubt that the present tariff is higher than in 1925. The new tariff now before Parliament will raise the level further, though it is stated that this tariff is intended as a basis for negotiation.

The German index for 1925 (Method B) is an average of the old and new duties. The latter were introduced in October of that year, and were appreciably higher than those which they replaced. Since October, 1925, conventions have been signed which have reduced the index below the height which it then reached. But the figures shown are, like those for France, still too low. They should probably be raised by two or three points. The amount of the increase in the German rates is indicated by the results shown under Method A, where two calculations have been made—the first for the new, the second for the old tariff.

In most countries the duties on manufactured articles have been increased much more than those on agricultural products. Indeed, in a number of cases, even when the general level of the tariff has been raised, agricultural duties have been lowered. As has been stated above, it has not been considered advisable to attempt to calculate special indices for foodstuffs, raw materials, or semi-manufactured articles. But from the evidence available, it would appear that the Austrian, French and German duties on agricultural products were much lower in 1925 than in 1913. In Germany, all duties on corn and wheat were abolished after the war. By the October tariff, new duties were imposed, but they are well below the pre-war rates. In Belgium, Czechoslovakia, Denmark, Italy, and Sweden they have also been reduced somewhat. In India, Hungary, Spain, and Switzerland they have been raised.

The majority of countries, but not India and Spain, have also reduced their duties on semi-manufactured products. Duties on raw materials throughout the world are low, and the cases in which they have been raised are rare. They have in many cases been lowered. The increase in average duties which has been effected since 1913, therefore, is due in the majority of cases wholly to the imposition of higher rates on finished manufactured articles.

Since 1925 there have, of course, also been other tariff increases, for example, in Austria; Japan also raised her tariff a year ago. The calculations show that even on schedule figures the tendency of tariffs has been upwards, while in Central Europe there is the further complication that there are many more of them than before the war. Considering their protectionist effect, however, it has to be remembered that in addition to the tariffs there are numerous other obstructions to trade in the form of discriminatory taxes on foreign goods, certain prohibitions and restrictions on importation, and a much greater complexity in the tariffs themselves. These difficulties are referred to in subsequent sections.

3.—THE COMPLEXITY OF TARIFFS.

As a rule the classification of goods only goes into any great detail in protective Customs tariffs, and not in tariffs imposed for revenue purposes. Such tariffs are found, apart from Holland, only in countries with comparatively little variety of production, such as Siam, Panama, Egypt, Abyssinia, &c.

In proportion as the protectionist countries differ in the variety of their production, they also differ in the *number of their tariff items*. Predominantly agricultural countries, since the differentiation of agricultural production is comparatively limited, have therefore, as a rule, a considerably smaller number of Customs items than countries with a highly developed industry. For example, Latvia has only 764 tariff items, Lithuania 692, and New Zealand 669, as compared with, roughly, 2,300 items in the German and 4,371 in the French tariffs.

There are, however, countries which, in spite of a production of little variety, impose a duty on nearly all imported goods, in order to obtain revenue. For example, Haiti's Custom tariff has as many as 13,300 items. Again, many countries, particularly those of recent growth, endeavour by means of a multiplicity of duties not only to maintain existing industries in their territory but to promote the creation of other industries.

The number of items also depends to a great extent on whether a country employs the system of specific duties or that of *ad valorem* duties in its tariff. In the former case, there must be as many descriptions of goods as there are different Customs duties to meet the varied protective requirements of the individual products. With the system of *ad valorem* duties, on the other hand, much fewer tariff items are required to provide the same degree of protection.

Not only does the degree of specification differ in the individual protective tariffs, but also the method which the various countries have adopted in differentiating the items in their tariffs. While some protectionist countries develop their tariffs by means of an *autonomous nomenclature*, others are content with comparatively general descriptions (*conventional nomenclature*) in their autonomous tariffs, and then develop this tariff in commercial treaties by the creation of new or supplementary items.

Germany attained economic unity with the establishment of the German Customs Union in 1834. The following table gives the details of subsequent developments:—

Customs Tariff of—	Autonomous Tariff Items.	Items Subsequently Introduced as a Result of Treaties.	Total Number of Autonomous and Coventional Items.
1888..	About 385	103	Approx. 490
1902..	„ 1,470	About 350	„ 1,800
1925..	„ 1,700	„ 600 (According to the position on Sept. 1, 1926.)	„ 2,300

The increase in the degree of classification revealed by this table chiefly affects the textile, chemical and mechanical industries.

The former Austro-Hungarian monarchy made still greater use of its commercial treaties in building up its Customs tariff. It had an autonomous tariff of 1,400 items, which it increased by 550 items through commercial treaties, making a total of 1,950 items. Austria-Hungary therefore derived nearly one-third of her total tariff items from commercial treaties.

In contrast with the tariff policy of Germany and Austria-Hungary, France has in the main established her tariff on an autonomous basis. At present the French tariff has 1,272 tariff headings, with (as far as we are concerned) 4,371 items. To these should, strictly speaking, be

added the special coefficients applicable to particular goods included under certain items, which would make another 100 items. It should also be mentioned that of the 4,371 Customs items some 204 items are subject to *ad valorem* duties of surtaxes. A very detailed autonomous tariff makes it possible to reduce Customs concessions to such a low point that supplementary treaty items are not necessary on the same scale as in the case of less detailed autonomous tariffs. Altogether France has only added slightly over 100 supplementary conventional items.

In Belgium before the introduction of the new tariff in 1924 there were still only 646 items. The tariff was not systematically classified by branches of production, stages of manufacture, &c., but was simply arranged alphabetically. The new tariff contains altogether 3,038 items, among which are to be numbered some 405 *ad valorem* duties.

The Italian tariff, developed mainly on an autonomous basis, contained 535 items in 1878, 1083 in 1910, and 2,777 in 1921. To these items, which consist almost exclusively of specific duties, must be added numerous surtaxes on finishing processes, by which the individual items are still further split up. These surtaxes bring the number of autonomous tariff items to over 4,000.

4.—THE INSTABILITY OF CUSTOMS TARIFFS.

A guarantee that existing tariffs would not be altered over a long period has sometimes been preferred by producers and traders to the offer of a reduced tariff, with the knowledge that the latter might be only of short duration. The importance attached to the element "stability" is emphasised by the multiplicity, in certain commercial treaties, and particularly those concluded by Germany, of the guarantees known as "consolidations"; that is to say, the inclusion in conventional tariffs of the actual rates in the general tariff, the advantage accruing not from lower rates, but from the fact that rates so "consolidated" could not be raised during the currency of the treaty.

This type of guarantee was widely used in the treaties concluded between Germany and the States of Central Europe about 1891. The same method was employed again in 1902, on the renewal, after secret negotiations, of the commercial treaties between Germany, on the one hand, and Austria-Hungary, Belgium, Roumania, Russia, Serbia, and Switzerland on the other.

The return to a stability of prices comparable with that recorded before the war will be some time in coming, and hence it will be impossible in the near future to apply a fixed schedule of specific duties, all voted by Parliamentary methods. The *ad valorem* tariff would meet the difficulty in theory, but is inconvenient in practice. It might, however, be possible for the Legislatures to vote a scale of *ad valorem* duties on large classes of commodities, leaving to the Executive the right of transformation into specific duties whose application would be less formidable. The actual rates would be based on observed prices, and, subject to periodic revisions, as in British India and in other countries. This system would respect the authority of Parliament, but avoid the discussion of detailed tariffs which leads to conflict with powerful private interests and prevents the problem being regarded as a whole. It might also lead to the adoption of a common nomenclature, as between the different administrations, general principles governing the degree of protection to be accorded to different types of product, and a common system of calculating the prices on which the specific duties should be based. It would also render far more comparable the degree of protection afforded to their nationals by the various Governments.

5.—DUMPING AND ANTI-DUMPING LEGISLATION.

The word "dumping" is generally taken to mean the sale of a commodity abroad at a price below the selling price of the same commodity when it is intended for home consumption, account being taken of transport charges. Some legislation—for example, the British law against dumping—only applies when the product is sold abroad at a price below its cost of production in the exporting country.

The dumping which takes the form of export bounties paid, in secret or openly, by the State or from private sources is particularly prevalent. The system of export bounties provided by the State can still be found in the legislation of certain countries; for example, the Spanish Royal Decree of April 30, 1924, for the encouragement of home industries.

Transport and freight discrimination should be considered a particular form of dumping. In this case the price abroad is reduced by lowering the normal rates for transport by land or sea, by means of grants from the State or private subsidies. "Dumping" has frequently been defined as the import of goods whose abnormally low price is due to the existence of the following factors in the exporting country: lower wages than in the importing country, longer hours, lower taxation, lighter social charges, food prices reduced through State intervention, rents compulsorily maintained at a reduced level (two factors which permit a lower level of wages, under certain conditions), lower transport rates (excluding transport and freight dumping properly so-called), &c. As a general rule, all these factors tend to reduce both home and export prices. They do not, therefore, create true dumping, the characteristic of which is that there are two prices for the same commodity, the export price being the lower. Hence the phrase "false dumping" is occasionally used.

"Exchange dumping" is still less dumping of the kind defined above. It is common knowledge that exchange dumping is caused by the fact that, in a country whose currency is depreciating, the rise in internal prices is generally less rapid than the fall in the value of the monetary unit, as measured by the exchanges. When its value is maintained at a definite rate, internal prices adapt themselves to this level, and the gap between the internal and external purchasing power of the currency narrows, and finally, after some time, disappears. At this point, exchange dumping becomes impossible. This result necessarily follows all monetary stabilisation, whatever be the level chosen at which to stabilise.

If we examine the existing laws against ordinary dumping, the situation appears as follows:—

I. Only Belgium, Switzerland, Canada, Australia, and New Zealand have attempted in any effective way to protect their home markets against "exchange" dumping.

II. The total exports of those countries whose industry has practised "exchange" dumping to any great extent have been only very slightly affected by the "exchange" dumping provisions of foreign countries.

III. The very countries that are the most important in international trade—that is, the great European countries and North America and Japan, have either done nothing whatever to stop "exchange" dumping, or, as in the case of England, have contented themselves with temporary measures applied to a few articles.

6.—DIRECT AND INDIRECT SUBSIDIES.

We now proceed to give a few illustrative examples of various measures taken by certain Governments with a view to stimulating production or export. These examples have for the most part been obtained from the "Survey of Overseas Markets" published in 1925 by the British Committee on Industry and Trade and from the "Dictionary of Tariff Information" published by the U.S.A. Tariff Commission in 1924. Information has also been obtained through the intermediary of certain members of the Preparatory Committee and of the Economic Committee of the League. The following is a summary of the information thus obtained:—

(a) Bounties Actually Paid by the Governments.

Australia, Brazil, Canada, Chile, France, Great Britain, Italy, Japan, Serb-Croat-Slovene State, South Africa, Spain, Switzerland, &c., are among the States granting subsidies to one or other branches of their national industries. Among the industries thus favoured may be mentioned: Iron and steel (in Brazil, France,

Japan, South Africa, Spain), shipbuilding (Italy), coal (Brazil, Spain), crude petroleum (Canada), zinc concentrates (Great Britain), copper bars and rods (Canada), silk industry (France, Serb-Croat-Slovene State), rubber (Brazil), dyestuffs (Great Britain, Japan), hemp (Canada), flax (Great Britain), cereals (Norway, Sweden), agricultural in general (Great Britain, Spain), fruit-growing (Japan), hotel industry (Switzerland), industries in general (India, Spain), &c.

(b) Fiscal Exemptions in Connection with Goods Exported.

The *Egyptian* Ministry of Finance is authorised to exempt from export duty and quay dues certain goods on exportation, provided they are manufactured in Egypt. In *France* the business turnover tax on exported goods is fixed at 1.3 per cent., instead of 2 per cent., and the tax on the so-called luxury articles fixed at 12 per cent. is reduced to 3 per cent. on goods sold abroad. In *Roumania* manufacturers exporting not less than one-fourth of their annual production may be exempt from direct taxation, apart from a fixed percentage on net profits.

(c) Exemption on Importation in Connection with Exports.

In *Sweden*, on the exportation of not less than 500 kgs. of unground wheat or rye, a special certificate is issued authorising the exporter to import within six months duty-free a corresponding quantity of wheat or rye, ground or unground. In certain cases the exporter may also draw the amount corresponding to the import duty in cash, less a deduction of 2 per cent.

The system of import certificates ("Einfuhrscheine") exists also in *Germany* with regard to the grain trade. When the amount of wheat, rye, spelt, oats, barley, and vegetables exported from Germany is at least 500 kgs. under the terms of the Law of August 17, 1925, certificates are issued which entitle the holder to import duty free a corresponding quantity of the same commodity within a period to be fixed by the Bundesrat, but which must not exceed nine months. The value of the import certificate corresponds to the lowest rate of import duty on the respective commodity. Import certificates are accepted within the period of nine months in payment of the import duties on the cereals mentioned above.

(d) Other Indirect Means of Subsidising Production or Exports.

Various are the means employed by certain Governments with a view to encouraging national industry or export trade. Among the most common may be cited exemption from Customs duties on imported machinery and materials for use in the establishment or development of a national industry (*e.g.*, Austria, Brazil, Greece, Serb-Croat-Slovene State); loans or credits granted by Governments or guarantees for loans or credits contracted with banks, &c. (*e.g.*, Denmark, Egypt, Great Britain, India, New Zealand, Norway); exclusion of foreign industries from or preference granted to national industries as regards the supplies to Government departments, public works or enterprises, &c. (*e.g.*, in Egypt, Greece, Serb-Croat-Slovene State, Spain); reduction in transport charges in respect of raw materials for home industries (*e.g.*, Greece), or in respect of certain goods consigned for export (*e.g.*, Japan).

7.—DISCRIMINATION.

In this section, brief reference is made to three types of discrimination which tend to limit the free exchange of goods in international trade. They are as follows:—

Variations in tariffs according to the origin of goods and the places from which they come or to which they are consigned, or according to the frontiers and places through which they are imported and exported (excluding colonial preference).

Flag discrimination, including the preferential treatment of national vessels and their passengers and cargo in respect of all kinds of facilities, dues, duties, and charges for land and water transport.

Legal immunities enjoyed by commercial or transport undertakings controlled by the State.

(a) Variations in Tariffs.

Differentiation on the ground of the origin of the dutiable goods is intended to facilitate direct commercial relations between the consuming and producing countries by excluding intermediary trade carried on by a third.

Of historical interest are the clause of Cromwell's Navigation Act of 1660 prohibiting the indirect importation of goods of "foreign growth, production, or manufacture," and the discriminatory duty of 10 per cent. contained in the United States Tariff Act of 1913, and applicable on goods "which, being the production or manufacture of any foreign country not contiguous to the United States, shall come into the United States from such contiguous country."

Turning to modern tariffs we may cite the "surtaxe d'origine" existing, *e.g.*, in France, Spain, &c., and the "surtaxe d'entrepôt" existing in France.

(b) Flag Discrimination.

The following are examples of preferential treatment given by Governments to shipping owned by their own nationals.

In *Portugal* goods transported on national vessels enjoy a reduction of 10 per cent. on import duties and 20 per cent. on export duties.

In *France* preferential duties are granted to the products of certain colonies, possessions, and protectorates, and, conversely, to certain products of the mother country, only on condition that the goods are imported on French ships or on those of the colonies, possessions, or protectorates. Shipping between France and Algiers is regarded as coasting trade, and reserved to the national flag. German shipping is excluded from the French protectorate in Morocco, French Indo-China, and the Tangier zone.

Similarly, shipping between the *United States of America* and all foreign possessions except the Philippine Islands is treated as coasting trade, and reserved to the national flag.

(c) Immunity of State Undertakings.

In practice the two chief aspects in which the question of State trading privileges has recently attracted attention are: (1) the claim to immunity from taxation; (2) the claim to immunity from liability to proceedings in courts of law (chiefly discussed in connection with shipping). The first question was considered by a British Committee, presided over by Lord Colwyn, which reported in 1922, and was the subject of resolutions passed by the Imperial Economic Conference in the following year. The Conference recommended that "Any Government within the Empire, so far as it engages in trade, shall be treated as liable to the taxation of any other country within the Empire, in which it may either own property in connection with trade or make trade profits; the liability of the United Kingdom Government or any Dominion Government so far as engaged in trade shall be co-extensive with the liability of a private trading corporation in similar circumstances."

The Conference further agreed that, as soon as possible after the passing of the necessary legislation, negotiations should be opened with the Governments of foreign countries, in accordance with the recommendations of the aforesaid Committee, with a view to reciprocal agreement between those countries and the Empire on similar lines. Any such agreement would be without prejudice to the national interests of a sovereign State in any emergency of war.

The British Government and the Governments of the Union of South Africa and of India have since passed legislation to give effect to the above resolutions, and New Zealand, Newfoundland, and certain other parts of the British Empire have signified their acceptance of the resolutions.*

The second question, that of the legal immunity of State undertakings, has been mainly discussed in relation to the claim to immunity on the part of State-owned mercantile shipping, and the following notes are confined to this aspect of the question. It is evident, however, that similar questions might arise in connection with other forms of State-controlled enterprise, *e.g.*, State banks, railways, or State-owned monopolies of various kinds.

Early in 1922 the International Maritime Committee, an unofficial body of lawyers and shipping representatives, collected information as to the practice and opinion prevailing in the different maritime countries. The matter

* The memorandum from which this note is taken was drafted before the recent Imperial Conference.

has since been the subject of further detailed consideration by a series of conferences, *i.e.*, the International Maritime Conference at Brussels (1922 and 1926), the British Imperial Economic Conference (1923), and the International Maritime Law Committee (at Gothenburg in 1923 and at Genoa in 1925). At the International Maritime Conference held at Brussels in April, 1926, a draft convention was adopted which was signed by all the delegates, and provides for the complete surrender of immunity in times of peace in the case of all sea-going vessels owned or operated by States and employed on commercial service, as also in the case of non-Governmental cargoes and passengers carried on these ships. In the case of ships of war and all other vessels owned or operated by a State on non-commercial services and State-owned cargo carried on them, provision is made only for a limited surrender of immunity. Actions in such cases will be open only in respect of (1) collisions or other accidents of navigation, (2) salvage and general average, and (3) repairs, goods supplied, or other contracts relating to the vessel. The convention does not affect the rights and duties of neutrality. The position now is that the Belgian Government are awaiting notes from the Governments of those States whose delegates signed subject to confirmation.

8.—CONCLUSIONS OF THE TRADE BARRIERS COMMITTEE OF THE INTERNATIONAL CHAMBER OF COMMERCE.

The International Chamber of Commerce, which numbers among its members 750 of the most important economic organisations, has been working in close touch with the Secretariat of the League and the Preparatory Committee of the Economic Conference at the questions of tariffs and other obstructions to international trade. The initial report of the Trade Barriers Committee of the Chamber, which has been published as a Conference Document, contains recommendations on every type of obstruction.

With regard to the fiscal treatment of foreigners, the Committee recommends

that if in any case a person, firm, or company is admitted to carry on an industry, commerce, or any other occupation in a country without being established in that country, the treatment in fiscal matters of such person, firm, or company should not be such as to place them in a position of inferiority as compared with nationals:

that where a foreign business established in the territory of a State is a branch of or subsidiary to a business of which the seat of control is in another State, the principle to be followed as regards the taxation of the business should be:

that taxes imposed in the country in which the foreign business operates should,

if levied on capital, be strictly limited to the capital really invested in that country, and

if levied on profits or revenues, be strictly limited to those arising from the business activity carried on in that country:

that, in assessing taxes of all kinds on commerce and industry, differences of origin of goods shall in no case lead to a higher assessment.

The Trade Barriers Committee takes note of the growing desire for freedom in maritime commerce, and recommends that all seafaring countries should—

ratify the Maritime Ports Convention and give full effect to it in both spirit and letter, when flag discrimination would entirely disappear;

and urges the ratification by all Governments of the Brussels Convention on Immunity of State-owned Ships, pending which they should give an assurance that they will not, in fact, claim immunity, whether from legal process, taxation, or dues and charges.

It considers the continuance of the widespread practice of subsidising shipping to be undesirable as introducing an uneconomic element into business and disturbing markets.

In the section of the report dealing with prohibitions and technical questions relating to Customs duties, it is proposed that an international convention for the abolition of prohibitions of importation and exportation should be concluded at the earliest possible moment, on the lines of the draft agreement prepared by the Economic Committee of the League (see Annex II. below), but without the exceptions provided for in Art. 5. The Trade Barriers Committee believes that these exceptions might lead to abuses; but suggests that, should the contracting countries be unable to forgo them, they should remain in force only for three years, and be extended only by the decision of an *ad hoc* international conference. Its statement is as follows:—

The Committee believes that the number and height of Customs tariffs hamper international trade, and it is essential that Governments should be induced to consider the reduction of Customs dues by means of an extended system of mutual agreements.

It recognises the great advantages that would accrue to world business from the adoption of a common tariff classification; it does not underrate the great difficulties which stand in the way of such unification, but it believes that they are not unsurmountable. The Trade Barriers Committee, therefore, proposes that such unification be approached, gradually taking different classes of industry one after the other. It recommends that the representatives of a given industry meet with Customs experts to study a common classification for their particular industry, and that a beginning should be made with raw materials and semi-manufactured goods. As to the question of the method to be followed in subdividing Customs tariffs, it believes that classification should proceed from the raw materials and follow the productions derived from each class thus determined, taking into account the degree of labour employed; that is to say, making clear distinctions between raw materials, semi-manufactured goods, and finished products. Special groups would have to be provided for goods containing an admixture of several raw materials.

The Trade Barriers Committee is of opinion

that, in principle, specific duties are preferable to *ad valorem* duties:

that *ad valorem* duties give rise to continual difficulties of application, that they facilitate covert discrimination and certain fiscal ruses designed to increase indirectly official Customs tariffs.

It calls attention to the fact that the majority of National Committees of the Chamber are favourable to a unique tariff with duties subject to reduction by negotiation, with the widest possible application of the most favoured nation clause. It considers this system as the most favourable to commercial negotiation and to the suppression of international trade barriers.

The National Committees are unanimous that sudden changes of Customs tariffs ought not to be made, on account of the business instability such changes produce.

Finally, the Committee unanimously recommends that the Geneva Convention for the Simplification of Customs Formalities should be ratified at the earliest possible moment by States which "have hitherto adopted an expectant attitude," believing that this convention is capable of attenuating Customs formalities. It specially recommends for study the proposal of the Austrian National Committee concerning collective treaties of commerce, to which reference is made in Annex I.

ANNEX I.—THE AUSTRIAN SCHEME FOR COLLECTIVE TREATIES.

The Austrian National Committee of the International Chamber of Commerce has put forward suggestions for the relief of international commerce in Europe, which might eventually lead to the formation of a European Customs union. Their arguments and recommendations are shortly as follows:—

The trade treaties connecting European countries before the war contained tariff agreements which, through the operation of the most-favoured-nation clause, benefited other countries as well. Even in the absence of such tariff agreements a refusal to grant most-favoured-nation treatment and the consequent exclusion of the country so treated from the system of international exchanges was an efficient weapon against exorbitant increases of duties, and other excessively prohibitive measures. That net-work of treaties was torn by the war. At present import prohibitions have not yet been completely abolished, and a large number of commercial treaties either do not contain any tariff agreements at all, or, where the latter have been inserted, they refer to a relatively small number of tariff rates.

The example of the successful efforts made in the field of traffic questions to simplify Customs formalities through an international convention points to a collective treaty for the settlement of those questions which in pre-war days were dealt with in commercial treaties. The

following points occur as suitable for inclusion in such a treaty:—

1. The principle of freedom of commerce and traffic between territories.
2. The definition of the status and rights of foreign persons and corporations.
3. The principle of equality of taxation and the prevention of double or discriminatory taxation.
4. A regulation of passport questions.
5. The simplification of Customs formalities.
6. The freedom of transit.
7. The abrogation of import and export prohibitions.

Such a treaty would aim at the restoration, for a period of 10 or 20 years, of the legal conditions which were in force, unquestioned, before the war.

It is not sufficient to attempt a solution of the question of protective tariffs by the insertion of a clause in the collective treaty, under which the contracting parties mutually grant themselves most-favoured-nation treatment, in regard to Customs duties and other imposts payable at the frontier. Such a clause would only amount to a premium on prohibitive Customs. For, if no adequate securities in regard to Customs rates are in existence the obligation to grant most-favoured-nation treatment can, under certain circumstances, become unbearable and even fatal, as the other party or parties to the treaty are free to increase their Customs duties to a practically unlimited extent, without having to fear the withdrawal of most-favoured-nation treatment as a reprisal. It follows that the collective treaty outlined above can be supplemented by an obligation for the reciprocal grant of most-favoured-nation treatment only if an agreement is made at the same time to prevent the parties to the treaty from inordinately increasing their Customs tariffs. In a two-sided commercial treaty this is done by means of tariff agreements, but that method would be impracticable where many States are concerned at once. A solution would be the fixing of an upper limit of permissible Customs duties without entering into detailed negotiations concerning every single item of the tariffs. An agreement should be made under which the contracting parties would bind themselves to apply to foreign trade between themselves Customs duties which, including supplementary imposts and dues, do not exceed a certain percentage of the average value of the goods named in the various tariff positions, say 20 or 30 per cent. In order to assure the practical execution of the treaty, it would be sufficient to lay down the principle that every signatory State has the right to make representations to the Government of another party to the treaty, on the basis of complaints made by commercial circles, and lodged with their own Government through trade organisations. There should first be friendly discussion between the Governments concerned, and then, if necessary, an attempt at mediation by a body designated for that purpose; with a final resort to arbitration by an independent body.

There is, of course, no reason why different maximum limits of taxation should not be fixed in the treaty for different classes of goods. An opportunity would thus be given of subjecting raw materials and semi-manufactured products to lower duties than finished articles.

Such a collective treaty could, of course, be followed by commercial agreements between States, of a scope exceeding that of the collective treaty, and by economic unions between signatory States, without violating its principles. This would mean further territorial preparation for a future Economic Union on a European scale; and the ground could also be prepared by the various groups of industry as such. Agreements between groups of an industry in different States might lead to a reduction of duties on their products, and so materially assist the coming of Free Trade.

Finally, it would be necessary to create an organ to make use of every opportunity, and to prepare the ground for the final solution of European economic freedom. A Permanent Conference on Tariffs and Trade Questions, on the lines of the Organisation for Communications and Transit, and composed of delegates of the signatory States, with power to add to their number economic experts, would serve the purpose. It should be incumbent upon the Permanent Conference to consider questions and submit suggestions relating to the extension of the collective treaty with a view to the development of closer Customs and economic union between the Treaty States. Such suggestions would be submitted to the Governments of the contracting parties in the form of draft supplementary agreements, ratification of the latter being, of course, reserved to the Legislatures of the respective States. It would further be the duty of the Permanent Conference to watch over the execution of the collective treaties made, to pass resolutions, if necessary, on the correct interpretation of the principles laid down in the treaties, and, if divergences of opinion exist, especially in regard to the permissible maximum of Customs duties, to appoint committees for deciding the questions at issue. It might also be advisable under certain circumstances to attach to the Conference a Permanent Arbitration Court for settling such differences, unless it is preferred to entrust with the business the International Court of Arbitration at The Hague. The creation of such an organ might properly form the subject of a third collective treaty which would appear to be indissolubly connected with, and supplementary to, the two other treaties, the conclusion of which has been recommended above.

ANNEX II.—PRELIMINARY DRAFT AGREEMENT FOR THE SUPPRESSION OF IMPORT AND EXPORT PROHIBITIONS.

In accordance with a resolution of the Assembly, the Economic Committee of the League have drawn up a Commentary and a Draft Agreement on the suppression of prohibitions and restrictions in international trade. The Committee, in their report, consider the relative advantages of an international convention and a system of bilateral agreements on a uniform model; discuss the question of reciprocity, and the relation between prohibitions and high tariff barriers; and give a sample agreement from which the following extracts are taken:—

Each contracting State undertakes within a period of six months to abolish all import and export prohibitions and restrictions, and thereafter not to impose or maintain any such prohibitions or restrictions (Article 1).

Certain classes of prohibitions are not prohibited by the provisions of the agreement, provided they are applied equally to all countries and are not used to conceal purely economic measures. Examples are prohibitions having in view national defence, public safety or order; public health or the protection of animals and plants against disease; suppression of immoral traffic; the protection of artistic or historic treasures; maintenance of a State monopoly (Article 4).

Nothing in the agreement shall affect the right of a contracting State to take on importation or exportation all necessary measures to meet extraordinary or abnormal circumstances (Article 5).

Should a dispute arise between two or more contracting States as to the interpretation or application of the provisions of the agreement, and should such dispute not be settled either directly between the parties or by the employment of any other means of reaching agreement, the parties to the dispute may submit the dispute to such technical body as the Council of the League of Nations may appoint for this purpose. This body will give an advisory opinion after hearing the parties and effecting a meeting between them if necessary.

The advisory opinion given by the said body will not be binding upon the parties to the dispute unless it is accepted by all of them, and they are free, either after resort to such procedure or in lieu thereof, to have recourse to any arbitral or judicial procedure which they may select, including reference to the Permanent Court of International Justice as regards any matters which are within the competence of that Court under its Statute (Article 7).

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AUTHORISED CAPITAL	Rs.	11.25.00.000
PAID-UP CAPITAL ...	Rs.	5.62.50.000
RESERVE	Rs.	5.00.00.000

Bankers in India to the Government of India. Branches in all the principal towns in India.

London Branch: 22, Old Broad Street, E.C.2.

DEN NORSKE CREDITBANK

Established 1857.

OSLO, NORWAY.

Branches: Arendal, Lillesand, Risör.

Every Description of Banking Business Transacted. Collections without loss of Exchange. Documentary Credits. Payments under Letters of Credit and Travellers' Cheques. Foreign Exchange Department. Stock Exchange Department.

Coupons and Dividends Collected.

Correspondence Invited.
Telegraphic Address: "Creditbank."

NETHERLANDS TRADING SOCIETY.

(Nederlandsche Handel-Maatschappij).

BANKERS.

CAPITAL PAID UP.....F.30,000,000— (£2,666,666)
STATUTORY RESERVE.....F.21,117,840— (£1,759,776)
EXTRAORDINARY RESERVE F.22,660,000— (£1,888,333)

Head Office: AMSTERDAM.

Branches: ROTTERDAM, THE HAGUE. Branches in SINGAPORE, PENANG, RANGOON, CALCUTTA, BOMBAY, HONGKONG, SHANGHAI, KOBE, and all principal ports in the NETHERLANDS INDIES.

LONDON CORRESPONDENTS: The National Provincial Bank, Ltd.

SPECIAL FACILITIES FOR FINANCING SHIPMENTS TO THE FAR EAST.

THE UNION BANK OF AUSTRALIA, LIMITED.

Established 1837. Incorporated 1880.

Capital Authorised and Issued		£10,000,000
Capital paid-up	£3,500,000	together £7,700,000
Reserve Fund	£4,200,000	
Reserve Liability of Proprietors ...		£7,000,000

Head Office: 71, Cornhill, London, E.C.3.

DRAFTS are granted on the Bank's Branches throughout the Australian States and Dominion of New Zealand.

TELEGRAPHIC REMITTANCES are also made.

BILLS are purchased or sent for collection.

DEPOSITS are received for fixed periods on terms which may be ascertained on application.

The National City Company

Head Office: 55, Wall St., New York.

Affiliate of

The National City Bank of New York.

OFFICES IN OVER 50 CITIES OF THE UNITED STATES.

LONDON OFFICE:
34, Bishopsgate, E.C.2,
and at
11, Waterloo Place, S.W.1.

AMSTERDAM: Heerengracht 256.
GENEVA OFFICE: 1, Rue Tour de l'Ile.

SCANDINAVIAN REPRESENTATIVE: 16, Holmens Kanal, Copenhagen.

Montreal, Toronto, Ottawa, Quebec.

THE YOKOHAMA SPECIE BANK, LTD.

(Registered in Japan.) Established 1880.

Capital Subscribed and Fully Paid, Yen 100,000,000
Reserve Fund ¥2,500,000

Head Office - - - YOKOHAMA.

Branches at:—Alexandria, Batavia, Bombay, Buenos Ayres, Calcutta, Canton, Changchun, Dairen (Dutiy), Fungtien (Mukden), Hamburg, Hankow, Harbin, Honolulu, Hong-Kong, Kai Yuan, Karachi, Kobe, London, Los Angeles, Lyons, Manila, Nagasaki, Nagoya, Newchwang, New York, Osaka, Peking, Rangoon, Rio de Janeiro, Saigon, Samarang, San Francisco, Seattle, Shanghai, Shimonoseki, Singapore, Sourabaya, Sydney, Tientsin, Tokyo, Tsinanfu, Tsingtau, Vladivostock (temporarily closed).

The Bank buys and receives for collection Bills of Exchange, issues Drafts and Telegraphic Transfers and Letters of Credit on above places and elsewhere, and transacts General Banking Business.

Deposits received for fixed periods at rates to be obtained on application.

London Office: 7, Bishopsgate, E.C.2.
K. YANO, Manager.

BANK OF NEW SOUTH WALES

Established 1817.

HEAD OFFICE—Sydney, N.S.Wales.

Paid-up Capital	$6,000,000
Reserve Fund	4,750,000
Reserve Liability of Proprietors	6,000,000
	£16,750,000
Aggregate Assets at 30th Sept., 1926,	£93,190,144 18 6

The London Office issues drafts on demand on its Head Office (Sydney, N.S.W.) and Branches in all the Australian States, New Zealand, Fiji, Papua, and Mandated Territory of New Guinea. Makes Mail and Cable Transfers. Negotiates and Collects Bills of Exchange. Arranges Wool and other Produce Credits. Receives Deposits for fixed periods on terms which may be known on application; and conducts every description of Australasian Banking Business.

London Office—29, Threadneedle-street, E.C.2.
J. S. CAMPBELL, Manager.

THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter, 1835).

Head Office: 4, THREADNEEDLE ST., E.C.2.
West End Office: 17, Waterloo Place, Pall Mall, S.W.1.

Paid-up Capital	£4,000,000
Reserve Fund	£3,810,000
Reserve Liability of Proprietors	
Under the Charter	£4,000,000

Letters of Credit and Drafts are issued, and banking business of every description is transacted through the numerous branches of the bank throughout Australia and New Zealand. Deposits for fixed periods received.

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In this pamphlet Professor Lehfeldt, of Johannesburg, raises the problem of ensuring that gold, which is once more resuming its former standing as the world's standard of value, can itself be stabilised in value. Professor Lehfeldt takes the view that gold is more likely to become too abundant than too scarce.

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3, Arundel Street, Strand,
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BANK OF SCOTLAND

CONSTITUTED BY ACT OF PARLIAMENT 1695.

AUTHORISED CAPITAL	£4,500,000
PAID-UP CAPITAL	£1,500,000
RESERVE FUND and BALANCE carried forward	£1,785,966
DEPOSITS and CREDIT BALANCES as at 28th February, 1927	£31,936,520

Governor: THE RIGHT HON. LORD ELPHINSTONE.
Deputy Governor: SIR RALPH ANSTRUTHER OF BALCASKIE, Bt.

Head Office: THE MOUND, EDINBURGH.

GLASGOW, Chief Office: 2, ST. VINCENT PLACE.
Joint Managers, JAMES T. MACDONALD and A. W. M. BEVERIDGE.
LONDON Office: 80, BISHOPSGATE, E.C.2. J. W. JOHNSTON, Manager.

316 Branches and Sub-Branches in Edinburgh, Glasgow, and throughout Scotland. Every Description of British and Foreign Banking Business transacted.
GEORGE J. SCOTT, Treasurer.

A Special Service for Exporters

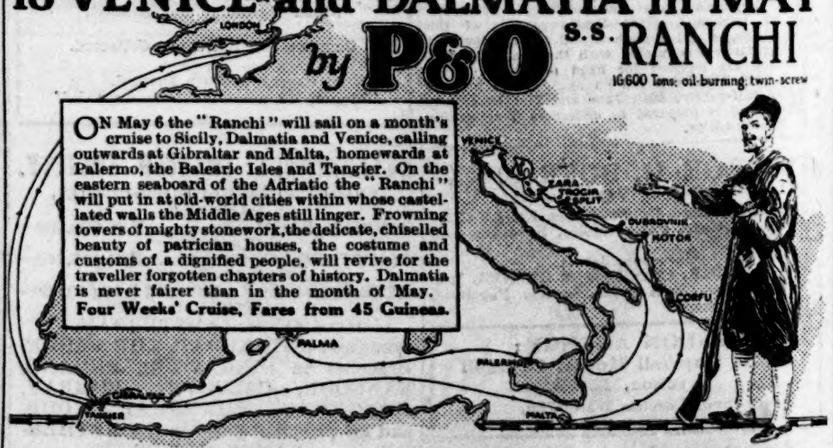
CONFIDENTIAL Credit reports as well as authentic information on market conditions, Tariffs, etc., are available to exporters doing business with Canada, the West Indies, or Central and South America, through our London office at Princes Street, E.C.2.

Your correspondence is invited.

The Royal Bank of Canada

To VENICE and DALMATIA in MAY by P&O S.S. RANCHI

16,600 Tons: oil-burning: twin-screw



ON May 6 the "Ranchi" will sail on a month's cruise to Sicily, Dalmatia and Venice, calling outwards at Gibraltar and Malta, homewards at Palermo, the Balearic Isles and Tangier. On the eastern seaboard of the Adriatic the "Ranchi" will put in at old-world cities within whose castellated walls the Middle Ages still linger. Frowning towers of mighty stonework, the delicate, chiselled beauty of patrician houses, the costume and customs of a dignified people, will revive for the traveller forgotten chapters of history. Dalmatia is never fairer than in the month of May.
Four Weeks' Cruise, Fares from 45 Guineas.

The "RANCHI" is a new P. & O. Steamer of 16,600 tons gross. Broad sheltered promenade decks, luxurious public rooms; large cabins (some with private bathrooms); a skilled orchestra, first-rate cuisine and service endow her cruises with ideal conditions for holiday voyagers.

The AZORES, MADEIRA, MOROCCO &c.
June 21—17 Days; Berths available from 33 Gns.

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P. & O. REDUCED SUMMER FARES.

TANGIER,	MARSEILLES,	EGYPT,
Via Gibraltar.	*Via Gibraltar.*	
From £13 Return.	From £16 Return.	From £28 Return.

Weekly departures from Tilbury on Fridays by P. & O. Mail Steamers.

For Handbooks, Cabin Plans and the "Book of the 'Ranchi,'" apply:
P. & O. HOUSE (F. H. GROSVENOR, *Manager*), 14, *COCKSPUR STREET, LONDON, S.W.1.*
City Office (P. & O.) 122, *LEADENHALL STREET, E.C. 3.*

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ESTABLISHED 1864.

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THE MOST COMPLETE PERIODICAL RECORD in existence of the dealing, throughout the United Kingdom, in every description of stocks and shares.

Over 4,000 securities are dealt with each month, showing recent dividends and yields at latest prices.

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A REVIEW of the ECONOMIC CONDITIONS in RUSSIA

PUBLISHED WITH THE ECONOMIST OF MARCH 19th.

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Telephones: CITY 8301, 8302.

Banks, &c.

HONG KONG AND SHANGHAI BANKING CORPORATION

Authorised Capital ...	...	$30,000,000
Issued and Fully Paid Up	...	$20,000,000
Reserve Fund { Sterling	...	£6,000,000
Reserve Fund { Silver ...	...	$15,000,000
Reserve Liability of Proprietors		$20,000,000

Head Office—Hong Kong.

COURT OF DIRECTORS:

Hon. Mr. D. G M. BERNARD, Chairman.
A. H. COMPTON, Deputy-Chairman.

W. H. BELL.	T. G. WRALL.
Hon. Mr. A. O. LANG.	H. P. WHITE.
W. L. PATTENDEN.	G. M. YOUNG.
J. A. PLUMMER.	

CHIEF MANAGER:
A. H. BARLOW.

BRANCHES AND AGENCIES:
Amoy, Bangkok, Batavia, Bombay, Calcutta, Canton, Chefoo, Colombo, Dairen (Dalny), Foochow, Haiphong, Hamburg, Hankow, Harbin, Honghow (Shanghai), Ipoh, Johore, Kobe (Hioga), Kuala Lumpur, London, Lyons, Malacca, Manila, Moukden, Nagasaki, New York, Peking, Penang, Rangoon, Saigon, San Francisco, Shanghai, Singapore, Soerabaya, Sungei Patani, Tientsin, Tokyo, Tsingtao, Yiotio, Yokohama.

COMMITTEE IN LONDON:

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Hon. Cecil Baring.	Sir George Macdonogh, G.B.E., K.C.B., K.C.M.G.
David Landale.	A. M. Townsend.
Sir Geo. Sutherland.	C. F. Whigham.

MANAGERS IN LONDON:
Sir Newton J. Stabb; H. D. C. Jones.
Sub-Manager: R. R. N. Paddield.
Accountant: A. Moncur.
9, GRACECHURCH STREET, LONDON, E.C.3.

ENGLISH SCOTTISH AND AUSTRALIAN BANK, LTD.

Head Office: 5, Gracechurch Street, E.C.3.
and 401 Branches and Agencies in Australia.

Subscribed Capital		£3,750,000
Paid-up Capital		2,250,000
Further Liability of Proprietors		1,500,000
Reserve Fund		2,050,000

Letters of Credit and Drafts on the Branches and Agencies of the Bank in Australia can be obtained at the Head Office, or through the Agents of the Bank, in the Chief Provincial towns throughout the United Kingdom.

Remittances made by Telegraphic Transfer, Bills Negotiated or forwarded for Collection. Banking and Exchange business of every description transacted with Australia. E. M. JANION, Manager.

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government).

Branches and Agencies throughout Australasia.
Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania.

3,460 Savings Bank Branches and Agencies at Post Offices in Australia. As at 31st December, 1926.

General Bank Balances	...	£ 23,791,424
Savings Bank Balances	...	46,062,129
Note Issue Department	...	49,930,228
Rural Credits Department	...	415,462
Other Items	...	5,612,949
		£ 125,712,201

London Office: 36-41, NEW BROAD ST., E.C.
J. S. SCOTT, Manager.
Also at Australia House, Strand, W.C.

MASON AND BARRY, LIMITED.

(S. DOMINGOS MINE, PORTUGAL).

NOTICE IS HEREBY GIVEN that a DIVIDEND for the year ended 31st December, 1926, at the rate of Two Shillings and Sixpence per Share, or 12½ per cent., less Income Tax, was DECLARED at the Ordinary General Meeting held this day, the same being payable on and after the 5th proxime at the Offices of the Company, 87, Cannon Street, London, E.C.4.

The holders of Share Warrants to Bearer must leave Coupons (Serial No. 34) for examination four clear days previous to payment, between the hours of 11 and 2, any day except Saturday.

Coupons may be presented after to-day, and must be listed on the Company's printed form, obtainable at the Company's Office.—By Order,

PHILIP O'D. GREENE, Secretary.
87, Cannon Street, London, E.C.4.
25th April, 1927.

BANK OF NEW ZEALAND.

Bankers to the New Zealand Government.

Authorised Capital - - £6,154,988

CAPITAL SUBSCRIBED AND PAID UP.

Four per cent. Guaranteed Stock	£ 529,988
Preference "A" Shares issued to the New Zealand Government ...	500,000
Preference "B" Shares Do. ...	1,375,000
Ordinary Shares	2,750,000
	£ 5,154,988
Reserve Fund and Undivided Profits	3,390,378
	£ 9,545,366

London Office: 1 QUEEN VICTORIA STREET, E.C.4.
Issues Drafts and Letters of Credit, makes Telegraphic Transfers, Negotiates and Collects Bills of Exchange.

ROBERT MILL, Manager.

STATE BANK OF THE U.S.S.R.

(Union of Socialist Soviet Republics.) Formerly State Bank of the R.S.F.S.R.
Created by Decree of the Soviet Government of October 12th, 1921.

		Chervonets.
Capital		10,000,000
Bank Note Issue	On April 16th, 1927	87,425,516
Issue Dept.'s Gold & Platinum Reserve ...	do. ...	10,635,069
Issue Dept.'s Foreign Currency Reserve ...	do. ...	8,373,864

N.B.—1 Chervonetz contains 119,4826 grains of pure gold and equals £1 1s. 1½d. or $5,14½.

Head Office and Foreign Department, MOSCOW.
OVER 400 BRANCHES.

FOREIGN BANKING BUSINESS OF EVERY DESCRIPTION TRANSACTED.
Deposits and Current Accounts in Foreign and Soviet Currency. Mail and Cable Remittances effected throughout the territories of the Soviet Union. Collections. Letters of Credit. Bills of Exchange. The Bank is specially interested in facilitating trade with the Soviet Republics.

AGENTS AND CORRESPONDENTS IN ALL PARTS OF THE WORLD.
LONDON CORRESPONDENTS.—Lloyds Bank, Ltd; National Provincial Bank, Ltd.; Midland Bank, Ltd.; Westminster Bank, Ltd.; Barclays Bank, Ltd.; N. M. Rothschild & Sons; Hambros Bank, Ltd.; Kleinwort Sons & Co.; J. Henry Schröder & Co.; Samuel Montagu & Co.; S. Japhet & Co., Ltd.; Equitable Trust Co. of New York; National City Bank of New York; Bank for Russian Trade, Ltd.; Moscow Narodny Bank, Ltd.

NATIONAL BANK OF NEW ZEALAND, LIMITED.

HEAD OFFICE—8, MOORGATE E.C.2.

Authorised & Subscribed capital	£2,000,000
Paid Up Capital	£2,000,000
Reserve Fund & Undivided Profits ...	2,173,943
	£4,173,943

The National Bank of New Zealand, Limited, receives Deposits for fixed periods at rates which may be ascertained on application, and conducts every description of Banking business connected with New Zealand.

ARTHUR WILLIS, Manager.

BANCO DE CHILE.

London Agency—
94 GRACECHURCH STREET, E.C.

	Chilean Dollars.
Paid-up Capital	100,000,000.00
Statutory Reserve	25,000,000.00
Special Reserve	33,000,000.00
Extraordinary Reserve £1,000,000, equivalent to	40,000,000.00
Dividend Fund	6,527,553.38
	$204,527,553.38

Head Office: Santiago and Valparaiso.
Branches in all parts of Chile.

The London Agency transacts every class of Banking business with Chile. Current accounts also opened and deposits received.

Insurance.

LONDON AND MANCHESTER ASSURANCE CO., LTD., 50 Finsbury square, London, E.C.2. Premium Income exceeds £1,900,000, Funds exceed £6,000,000. Claims paid exceed 9,000,000. Annual Reports and Prospectuses can be obtained on application.

INSURANCE?
THE PRUDENTIAL
OF COURSE!

REFUGE ASSURANCE COMPANY LIMITED

Chief Office: Oxford St., Manchester

(For the year ending Dec. 31st, 1926).	
Annual Income Exceeds -	£8,000,000
Assets Exceed - -	£25,000,000
Claims Paid Exceed -	£40,000,000

ALEXANDRIA WATER COMPANY, LIMITED, ALEXANDRIA, EGYPT.

PAYMENT OF DIVIDEND.

Notice is hereby given that a DIVIDEND of Ten Shillings and Ninepence per £5 Share on Coupon No. 77 is PAYABLE on and after 16th April, 1927, instead of on 15th June, 1927, as printed on the Coupon, at the National Bank of Egypt, in Alexandria, at Rue Toussoum, or in London at 6 and 7, King William Street, E.C.4.

Dated, Alexandria, Egypt, the 14th April, 1927.—By order of the Board.

K. B. WOODD SMITH, Manager.

GOUVERNEMENT IMPERIAL DU JAPON.

EMPRUNT 4% DE 1910.
FRANCS 450,000,000.

Notice is hereby given that the COUPONS due 15th May, 1927, will be PAID on and after the 16th May, 1927, between the hours of 11 and 3 (Saturdays excepted) at the Yokohama Specie Bank, Limited, where lists may be obtained.

Coupons, which must be left three clear days for examination prior to their payment, will be paid at the rate of exchange on Paris ruling at the time of their presentation.—For the YOKOHAMA SPECIE BANK, LIMITED.

K. IANO, Manager.
9 Bishopsgate, London, E.C.2.
30th April, 1927.

London: Printed for the Proprietors The Economist Newspaper, Ltd., by G. E. Hart, St. Clements Press, Ltd., Newspaper Buildings, Portugal St., Kingsway, London, W.C.2. Published by the Proprietors at Granville House, Arundel Street, Strand, W.C.2.—Saturday, April 30, 1927.